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7 August 1985

# West Europe Report



FOREIGN BROADCAST INFORMATION SERVICE

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7 August 1985

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POLITICAL

AUSTRIA

CONTROVERSY ON OEVP'S LEADERSHIP, POLICIES

Graff Defends Policies

Vienna PROFIL in German 28 May 85 pp 14-15

[Interview with Party General Secretary Michael Graff by Franz Ferdinand Wolf; date and place not given: "To the Point of Masochism"]

[Text] Interviewed by Franz Ferdinand Wolf, General Secretary Graff defends the OeVP's [Austrian People's Party's] "Yes--but" politics: "It's a reasonable position."

PROFIL: You cannot complain about a lack of criticism these days. The FPÖ's [Austrian Liberal Party's] chairman Friedrich Peter has called you "the programmer responsible for the OeVP crisis...."

Graff: The OeVP is not as badly programmed as all that. We have been winning one election after another....

PROFIL: Yes, at the provincial level....

Graff: At the federal level also. Take the chamber of commerce elections, in which the Economic Federation with President Sallinger scored a brilliant victory. Take the labor chamber elections, where we stripped the workers' representative, Dallinger, of his majority.

PROFIL: Criticism is coming in also from fellow party members in Styria. Bernd Schilcher paid you a left-handed compliment by calling you the world champion from-the-hip-shooter.

Graff: If you have the Styrian farmers on your side, it is much easier to shoot.

PROFIL: But shooting from the hip also means that you have no long-range plans.

Graff: We do have a long-range plan, the Manifest of the Future. It was the subject of discussion in the party organizations as well as among the intellectuals. The SPÖ [Austrian Socialist Party] has imitated the way we

discuss our programs; nevertheless they haven't even come up with a paper on it yet.

PROFIL: Your problems seem to be tied to the present. Apparently there is a lack of concrete political proposals.

Graff: Not in the least. We are about to start a country-wide campaign for a new tax reform and tax reduction and against the waste of public funds; also, we want to create a breakthrough for the "New Freedom" concept: greater flexibility in working hours, shop closing times and retirement age. More free trade, less government. More initiative ("deregulation") and less bureaucracy.

PROFIL: According to you, everything is in fine shape. Then what are you being criticized for?

Graff: There is probably some reason for it. Saint Sebastian too attracted a lot of arrows, but in the end he went to heaven anyway.

PROFIL: Are you satisfied with your performance as general secretary then?

Graff: Not by any means. I should be doing a lot better.

PROFIL: Who or what is preventing you from doing a better job?

Graff: Unfortunately, my capabilities are limited.

PROFIL: This is self-criticism?

Graff: Of course. I believe that during the last few months we should have paid greater attention to the need for coordination. We may be a wide-open party and invite wide-ranging discussions; but on occasion they got out of control. This caused the issues to be blurred in some instances. We should have taken greater pains to explain our "Yes--but" politics, with which I identify. We should have more clearly stated what we are in favor of, but also, under what conditions. For example: in favor of interceptor aircraft, but against obsolete Draken [fighters].

PROFIL: The public sees this "Yes--but" as mere vacillation.

Graff: It constitutes a differentiated opposition strategy. But some journalists can't be bothered to think a longish sentence construction through to the end. We are in much better repute with the population than the general tenor of opinion in the media would let you suspect. I am not saying that this is the fault of the media--but the media aren't always right, either.

PROFIL: However, opinion polls indicate a majority in favor of the coalition.



Graff: That is superstition. Unfortunately not only the SPOe, but also the ORF [Austrian Broadcasting System] sends out survey questionnaires which are suspect as to their methodology. The figures extrapolated from statistical samples are, in effect, exaggerated numbers out of thin air. I have seen a brand new opinion poll of a captive audience. According to this, raw data indicate that the SPOe is ahead of the OeVP by 1 percent.

PROFIL: If you add the numbers of undecided voters, the coalition ends up with a majority.

Graff: Out of the question. The government no longer has a majority. The FPÖe is the fourth largest party and it seems ridiculous that FPÖe Chairman Steger wants to ride the SPOe's coattails for an additional period under these conditions. The SPOe has of course already turned him down on this. The SPOe realizes that its marriage with the FPÖe has been a failure. We are interested to note that the SPOe leadership is retaining the option of wide cooperation.

PROFIL: Let's get back to OeVP politics. The opposition is torn between vacillating and being against everything, inviting the criticism of being a danger to the state.

Graff: Accusing the OeVP of being a danger to the state makes me laugh. Frequently, we have maintained a stance of supporting the government process to the point of masochism. We have taken an unambiguously positive position in favor of military national defense, airspace surveillance and interceptor aircraft. That doesn't mean that we have to agree to the procurement of obsolete aircraft, which in addition are the most dangerous to fly.

PROFIL: "Yes--but...."

Graff: That's it--obviously a sensible position.

PROFIL: But the "Party of Vacillation" label is political poison.

Graff: Exactly what do you expect an opposition party to do? If it always agrees, people will ask what the reason for its existence is. If it always disagrees, that's no good either. That is exactly the reason why we engage in a differentiated opposition policy. What we are saying is yes--but there must be appropriate prerequisites.

PROFIL: And that sort of politics is supposed to be capable of winning a majority?

Graff: I am convinced that in the next National Council elections our party will come out on top. I admit however that we will have to improve considerably in the meantime. We have crested too early. And since the middle class is always ready to register disappointment with the OeVP, the initial flattening of the curve led to a depression once again. This will improve.

PROFIL: Should the OeVP not turn out to be the strongest party, what action do you plan to take?

Graff: As long as Dr Mock and I are both satisfied, I will remain as general secretary.

PROFIL: Dr Mock is under pressure. He is receiving suggestions from various quarters to dump you, the reason being that you create a negative atmosphere and would destroy any basis for negotiations.

Graff: My role model, Hermann Withalm, was accused of the same thing, and today he is considered the grand old man.

PROFIL: How about your job satisfaction? Are you completely unaffected by criticism?

Graff: I am still enjoying it. Obviously I'm only human, and it isn't all that much fun to be constantly criticized. But if you know how to dish it out, you must be able to take it too.

#### Mock Under Attack

Vienna PROFIL in German 3 Jun 85 pp 11-14

[Article by Hubertus Czernin and Franz F. Wolf: "Where Is the Party Chairman Hiding?"]

[Text] The OeVP is in a permanent slump. Another chapter in this open-ended serial.

Ready for the next round. OeVP Secretary for the Province of Styria, Gerhard Hirschmann, is speaking: "I'm not totally satisfied with the general secretary either, but he is the best one we've had since Withalm. Of course he makes mistakes. But show me anyone else in that job who wouldn't make mistakes. Whenever certain industrialist gentlemen start parroting SPOe propaganda, I lose my cool. Those gentlemen are asking for exactly the type of politics which would keep us from getting back into the government. Certain gentlemen who do a lot of talking and then try to feather their own nests--they would like for us to have a general secretary who acts less energetically."

The "certain gentleman," the general secretary of the Industrialists' Association, provides a vehement reply. Says Herbert Krejci: "The gentlemen who say those things are much too young to be able to judge these things. I have made my judgment, and Herr Hirschmann's opinion can do nothing to change it. I know about those things. Dr Graff himself says: 'You are falling into the trap of the enemy propaganda.' To which I can only reply: 'You are hitting slightly below the intellectual belt.'"

Party officials are afraid that the party is down for the count.

In the following round the fight is over an argument which has caused a lot of trouble: the alleged discussion about dumping General Secretary Michael Graff, reported by KURIER. Kurt Bergmann presented a well-organized volume

of all-around denials and accused the KURIER reporters of yellow journalism. His bottom line: there is not, and there has not been, any discussion about dumping the political hip-shooter Michael Graff. The whole thing, he said, was invented by malicious journalists.

The OeVP's economic expert, Robert Graf, sees it a little differently: "I am convinced that the journalists who wrote about this didn't make it up out of thin air."

The whispered impression that this skirmish of attacks against Graff are the work of industrialist Krejci propels the latter into the ring again: "This is so stupid as to be undeserving of a reply. The Federal Chancellor is correct in saying that Dr Graff is not the center of gravity of Austrian internal politics."

Participating in this hailstorm of abuse is also an unidentified, but powerful party official who gives vent to his frustration: "One of these days the provincial party chairmen are going to have to bang their fists on the table and say, enough of this. We are still waiting for the discussion about the leadership to start. At the moment, everybody shrinks from bringing the subject up--but one of these days it will happen; the eastern Austrian party organizations will see to it. You cannot always keep everybody happy. Where is the party chairman hiding? Where is the party chairman who says that the Zwoelfxing matter was a mess? We have zero strategy--that is the decisive problem."

The attack from two sides finds its mark: growing dissatisfaction with Alois Mock's leadership ability and the absence of any kind of strategy which views politics for the long term--beyond the day-to-day operations which can be conducted over the telephone.

With a show of worry tinged with gloating, one careful observer reports on Mock's soul searching agonies: "He seems resigned." Another quickly offers a layman's psychological insight: "He realizes that he is no longer the young purveyor of hope."

The party's slump has taken its toll on Mock. The present condition of the party is a new experience for good old Alois, who had always been very lucky since his entry into higher politics. Perhaps not the kind of luck reserved for only the ablest, but good fortune, anyway. The high-water mark was probably the gain in votes and seats in the 1983 National Council elections. This caused the disappearance of Bruno Kreisky and caused Fred Sinowatz and Norbert Steger to found their small joint venture as his successors.

The People's Party thought that in Alois Mock it had a man with whom it could finally win again and that it would soon be the governing party. Eagerly and courageously the party officials settled back and waited for the government to collapse.

It never happened.

During these happy months for the opposition, with the coalition all shaken up, even the party chairman had premature visions: "See you on the Ballhausplatz [seat of government]."

Mock now remembers, a trifle sadly: "In the fall we lost Carinthia." In Vorarlberg things went wrong too and, says Mock, "that's when we realized that things don't take care of themselves." The result: "a certain feeling of pessimism."

This is a mild euphemism for the pervasive feeling of impending catastrophe which gripped the party. The overall opinion of those who might have done something to bring about change: "That's not how we are going to back it."

The chairman himself has long since been beset by black thoughts. He knows that he has entered the crucial phase of his political career: should he be able to obtain a relative majority at the next elections, whenever they will take place between the fall of 1986 and the spring of 1987, he can stay in his job of party chairman.

While this realization doesn't produce any great joy in Mock, he manages to sound optimistic: "Yes, I am optimistic. At the moment we are in the middle of a wave of criticism; but if we can't weather this, I ask myself how one could stand up to bigger problems, such as are brought about by being the head of government."

Unimpressed by those words, the black cadre of party officials is engaged in determining the responsibility for the disaster: some of the party men attribute all adversities to Graff's nasty pronouncements. Says Herbert Krejci: "What bothers me about him is the fact that he has gone to great lengths to poison the atmosphere in the country. He certainly is a very courageous man; but sometimes he puts more emphasis on the punch line than on the subject." Others complain about Mock's weak leadership and policy-makers at the federal level accuse the party rank and file of lacking in fighting spirit. Wendelin Ettmayer, who has been a Mock confidant since their days at the ministry of foreign affairs, takes his boss's part: "The performance of a quarterback depends greatly on how well he is backed. If Mock provides clear policy guidance and leading party officials fail to comprehend it, this certainly isn't Mock's fault."

But there is trouble with the cutting edge of the opposition also: hundreds of press releases, parliamentary proposals, initiatives, concepts, studies, urgent investigations and declarations on the state of the nation produce an image of a busy opposition. The only trouble is that nobody can see exactly what it is doing and, especially, why. Says Mock: "The overall concept is there, but it isn't fully recognizable." Also: "It doesn't show enough emotionally."

According to Mock, the overall concept is "to give the individual greater participation and shared responsibility." Everything fits under that umbrella that the ÖVP presently wants to come up for discussion--flexible



working hours and business hours, denationalization, tax reduction, constitutional matters and "changed policies" in general. But this concept somehow does not grab the imagination.

OeVP strategy has been in trouble for some time. Early this year, AAB Chairman Herbert Kohlmaier sharply criticized the Mock party's opposition strategy in a "confidential" 18-page memorandum; he described it as "certainly not being indispensable." To quote Kohlmaier: "In its opposition role, the party must resist the temptation of pretending to carry the weight of governmental responsibility on its shoulders and of simulating decisionmaking processes which aren't even expected of us, but which on occasion take a heavy internal toll. In a worst-case scenario this can significantly benefit the government in power, which is then in a position to criticize the OeVP's proposals instead of having to justify its own actions."

These words turned out to have been almost prophetic: the OeVP's vacillation between total opposition and mental coalition resulted in such cute political actions as the ones involving Zwentendorf and Hainburg, the interceptor aircraft and the thunderous environmental pronouncements of the government coalition.

All that is having an impact on the party's mental health. OeVP ideological researcher Fritz Plasser presented a study on "Intra-party Stress in Controversial Issue Areas." He draws his conclusion from the statistical fact that in the SPÖ there are relatively pronounced majorities on such energy matters as Zwentendorf and Hainburg, while within the OeVP they lead to complete disagreement within the rank and file. Says Plasser: "Especially in environmental and energy problems both major parties are subject to considerable stress, since the political lines of conflict cut clear across party lines. The OeVP seems to derive more than its share of stress from this which restricts its freedom of action and contains considerable conflict potential."

Never mind whether it is stress or simply the inability to formulate policy which is capable of attracting a majority or which the voters can perceive as being "different." The opposition is stagnating. And this is happening now, of all times, when the voters are beginning to identify their election preferences. Says the wild Styrian, Hirschmann: "Those dreamers among us are beginning to realize that the situation is critical and that we had better get our act together."

Getting our act together--this will be Alois Mock's message during his travels through the provinces in the next few weeks, for the purpose of stimulating the party organizations. He has already seen the unshakable Siegfried Ludwig; he wants to visit "drawer opener" Wilfried Haslauer before the constitutional law court hands down its decision, and he is in constant contact with Upper Austrian election campaigner Josef Ratzenboeck anyway. Those organizations are functioning well; but the condition of some of the other renowned provincial parties is less joyful. In Tyrol, Eduard Wallnoefer is preparing to survive the next generation of his potential successors. In Vorarlberg, Herbert Kessler may survive the fall party



conference and its program discussion, but will resign as party chairman in the spring; in Carinthia, Stefan Knafl's resignation from the party on 22 February 1986 is a fait accompli (the poor fellow is still struggling to hang on to his job as deputy provincial governor after that). And in the Burgenland the party is busily working on preparing for confrontation in the fall. Potential chairmen under consideration are AAB chief Hans Wolf and (among the young members) the WRO victim Franz Sauerzopf.

In Styria everything appears to be reasonably under control for Josef Krainer and in Vienna Erhard Busek is finding to his dismay that the taverns which he has made a central part of his politics have been frequented by Helmut Zilk for several decades before him.

The provinces have problems of their own. Contributions from the provincial organizations to the federal party headquarters will therefore remain at the present level--a fact which frightens Mock's advisors.

New people are to be brought into the organization to increase its effectiveness. IBM director of personnel Bernhard Goerg is said to be a miracle worker. A sort of chief executive officer is to be installed once again at the federal level. He must not of course get too carried away with joy over the prospect of the power (or lack thereof) inherent in this job, since the name of Peter Marboe is another hot prospect to occupy that ejection seat. Our cultural representative from New York is also slated to move to the Kaerntner Strasse to manage the election campaign. This of course only if he is successful in managing the campaign for the election of the Federal President. Peter Marboe will shortly be placed on leave of absence from his job in the Ministry of Foreign Affairs so he can propel Kurt Waldheim into the presidency.

With an attempt at wittiness, Alois Mock declines comment on all speculation about personnel shifts: "Terrific. Those rumors aren't worth reporting."

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POLITICAL

BELGIUM

# SP'S VAN MIERT ON STAKES OF UPCOMING ELECTION

Brussels LE SOIR in French 4 Jul 85 pp 1,2

[Commentary by Karel van Miert, president of the Flemish Socialist Party: "A Question of Choice"]

[Text] Henceforth only the period of vacations separates us from the beginning of the actual election campaign. Each political party aims at placing itself in the best possible position before the kick-off.

During its congress Sunday before last, the Flemish Socialist Party [SP] adopted its election program. This was drawn up after a lengthy and meticulous process of democratic consultation with its supporters and sympathizers. It is not a question, in this case, of either an ideological manifesto or a theoretical plan for the establishment of the city of the future, but of a set of concrete options and realistic objectives taking into account the exceptional circumstances produced by the crisis and the resulting economic, financial and budgetary constraints. It does not claim to be able to solve the crisis but rather to be able to correct a certain number of basic orientations. We consider those corrections to be indispensable to fight unemployment, to guarantee security and peace and to right a certain number of social injustices.

The stakes of the elections will rarely have been simply as clear as today. The policy conducted over the last 4 years deliberately wanted to favor a minority at the expense of the population as a whole. Unemployment never stopped growing. The purchasing power of the workers, laborers, employees, cadres, civil servants and social benefit recipients was cut by an average of more than 10 percent, while income from investments, speculation and wealth on the other hand rose more than 16 percent in real terms.

The most impoverished and the most unfortunate were not spared. A growing number of them have tipped into what is henceforth referred to as the new poverty.

Messrs Michel and Verhofstadt like to claim that the choice being offered to the voters should be one between collectivism on the one hand, and liberalism on the other.

Let us note first of all that within the European liberal family, the PRL [Liberal Reform Party (Walloon)] and the PVV [Party of Liberty and Progress (Flemish)] seem increasingly less representative of an enlightened liberalism

and increasingly more advocates of an aggressive and muscular conservatism of the Strauss and Chirac type. This shift of the Belgian liberals came to the fore once again recently during the congress of the liberal parties in Groningen. Francois Perrin was not mistaken. He did not hesitate to step back from a PRL which is becoming ultra-conservative. Henceforth very little remains of traditional humanist liberalism. As time goes by, the progressive liberals, who are socially committed, feel more and more isolated.

It is deceptive to present the choice facing the voters in such abstract terms as opposition between collectivism and liberalism. What is really at stake is a choice between those who reduce human relations to power relationships, fearing neither God nor man, in the style of the program "Dallas," and those who persist in believing that every human being has the right to a free existence, to respect of his rights, and to his dignity.

The choice will have to be made between those who consider unemployment to be a consequence -- regrettable, true, but secondary -- of the economic evolution and those who are convinced that it is a human and social scourge which must be eradicated on a priority basis and deserves the joining of all our efforts; between those who do not hesitate to consider the young unemployed as "intoxicated with social aid" (dixit Mr De Clercq) and the older unemployed, the sick, the retired, the handicapped as deadweights for the dynamism of the economy, and those who -- on the contrary -- plead for basic solidarity among all levels of the population.

It will be a question of choosing between those for whom freedom must be that of a fox in the henhouse and those who believe that the greatest freedom for the largest number of people requires that the human overcome the animal law of the jungle; between, on the one hand, those who refuse to really concern themselves with the problems of pollution and ecology but who personally seek refuge in less seriously affected areas or, on the other hand, those who once and for all have integrated the problems of the environment into every one of their political options.

This choice should separate those who systematically slander the civil servants and the public services without hesitating to have their friends and relatives appointed to them, from those who feel that modern, well equipped public services willing to help are vital in an enlightened society.

It will separate those who unconditionally support the politics of confrontation and the extravagant science-fiction arms race, while two-thirds of the world population is starving, from those who patiently and obstinately do their best to put an end to that suicidal madness and feel concerned about the struggle against hunger, oppression and repression everywhere in the world; those who see in culture nothing but status, investment and productivity and those who believe that artistic and esthetic cultural development corresponds to the most specifically human needs.

The significance of the choice we are faced with could be expanded further. It is clear that this time it is indeed a choice of society.

Moreover, what is left of the liberal promises made in 1981: tax reduction, reduction of state interventionism, strengthening of the democratic parliamentary regime, the right of autonomy for the individual in ethical problems, the fight against unemployment?

If, at the end of the current experiment, you still believe that you owe your confidence to the team in place, then I venture to hope very sincerely that you will never be ill, nor handicapped by some bad blow dealt by fate, nor lose your job, nor become old, nor have a somewhat compassionate conscience...

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CS0: 3619/81

POLITICAL

CYPRUS

## U.S. SEEN INTENSIFYING DEMARCHES FOR SOLUTION

### LIXO-DISY Cooperation Advocated

Nicosia 0 AGON in Greek 5 Jul 85 p 1

[Editorial: "We Must See Things Correctly"]

[Text] The Americans seem to understand now that the prolongation and perpetuation of the Cyprus issue and Greek-Turkish problems is a time-bomb at the foundations of their political and military interests in an area which, sooner or later, could explode with catastrophic consequences for western ambitions.

The tactic, "neither a solution, nor a crisis," which they have followed for a number of years, either because they did not want to displease anyone (mainly Turkey) or because they were absolutely certain they could control the two sides and not allow things to reach an explosion, or even because they believed they could use the problems as a lever for pressure on all the concerned parties, is now apparently being radically changed.

Because, if, several years ago, this tactic of--if not desire for--maintaining the problems was, to a degree, helpful for the more general U.S. interests because of conditions prevailing in the area, today the situation has changed entirely and consequently a re-examination and radical differentiation is necessary.

1. Today Lebanon, once a traditional friend of the United States, has become unfriendly and its fate is essentially being determined by elements hostile to the United States. And the Americans surely must be facing the possibility of an unfriendly base being created in the Mediterranean which will be in a position to deal them direct and crushing blows. And Cyprus will be, in this case, perhaps the only one who can help them.

2. In Greece, in addition, the picture is changing radically. Conservative and indecisive elements, who were not in a position to say "no" to the Americans even once, are no longer ruling there. Now there is Papandreou, and the United States cannot control his reactions in case of new Turkish expansionist actions, nor can they expect him to cover their interests at the expense of Greek interests.

Now the Americans must be convinced they are not in a position to control events and "compress" the differences so they never reach the point of exploding.



For this reason they apparently are changing tactics and, as the information says and signs reveal, they are undertaking a decisive intervention with a goal of solving the Cyprus problem and Greek-Turkish differences.

Not only do we not object to this U.S. intervention, on the contrary, we consider it encouraging, on the condition, of course, that it will be just and will not try to encroach on the rights of Hellenism.

But, in order for this initiative to be faced decisively here, and for us to be able to make it useful and beneficial for the national interests, many things in the prevailing political situation have to be changed.

We shall say certain things, cruel perhaps, but they constitute reality.

1. As long as President Kyprianou remains isolated and there is a clear opposition with the largest party of the Right, DISY, it is impossible for the U.S. intervention to be dealt with, or to be exploited, to our side's benefit.

2. In the same way, if not worse, we will be unable to deal with and exploit, either now or in the future, a U.S. intervention when AKEL co-governs here with a burden of some factor from the Right.

Consequently, we must promptly and without any delay try to place our political affairs on the correct course so we can look forward to better days for the national issue and the country.

3. Correctly settling our political affairs begins and ends in the cooperation of the two great parties of the Right. As for those who do not see the positive repercussions which will accrue, or see them but insist upon downplaying them because of animosity, ambition, bitterness or different expediencies, it is surely the interest of the national issue and the country which they are hurting....

#### Solution Seen in West's Interest

Athens I KATHIMERINI in Greek 6 Jul 85 p 5

[Editorial: "Critical Moment"]

[Text] The visits and talks which the special coordinator for Cyprus affairs . the U.S. State Department, Richard Haass, has held in Nicosia, Athens and Ankara alone would be enough to indicate that the Cyprus problem is emerging from the stagnancy it had reached after the well-known failure of the "summit meeting" last January, and is entering a "phase of mobility." It is also clear--from the fact that Haass undertook such a great and long trip to the antipodes of his country to personally make contacts in three capitals--that the United States is seriously interested in a universally acceptable solution of the Cyprus problem which would not be simply a validation of the occupational and partitionist "faits accomplis."

What must be stressed at this moment--and for the last time--is that any solution will be accepted by all sides, otherwise it will not exist. A solution which

will ensure the survival and normal cohabitation of the two national communities on the island, within the frameworks of a state which is federal, on the one hand, but also integral, independent and without a military presence or other "forceful custody" of third powers, is acceptable. On this crucial and vital point stumbled, in the end, the negotiations of November, December and January which also started with an initiative from Washington.

Actually, not only has the Greek side accepted the principle of federation, but also both sides had approached almost complete agreement on the territorial and constitutional wrinkles of a federal Cypriot government during the "proximity talks" in November and December 1984 at UN headquarters. The failure of the Kyprianou-Denktaş "summit meeting" last 17 January was owing to the latter's refusal to negotiate the--crucially important--points which remained to be negotiated (and which could be discussed and solved only at a summit level), that is, withdrawal of the Turkish troops, guarantees of the new Cypriot state, and the so-called "three freedoms" (of movement, residence and possession of property). This is because the Turkish side does not want the Turkish troops to depart, while it is maintaining the right of unilateral intervention by Turkey within the system of "guarantees."

It would be impossible, however, for such terms to be accepted because any acceptance of them would almost be tantamount to the suicide of Cypriot Hellenism. So if Washington really wants a solution, it knows to whom to address itself and what to seek.

Washington (and, with it, all the western world) has every interest in a universally acceptable and viable solution of the Cyprus problem being achieved. Because such a solution is an indispensable condition for a Greek-Turkish dialogue which could eventually lead to a solution of the differences between Greece and Turkey and, therefore, re-establishment of the cohesion and stability of NATO's southeastern wing. But it is also a condition for developments and rearrangements in the wider--and crucial--area of the Middle East and central-western Asia. Because any prolongation of the Cyprus issue's pending status could lead to an "explosion" or confrontation which would have incalculable repercussions and would upset all the correlations of forces in this sensitive and insecure area of the globe....

At such a critical and decisive moment, what would be literally inexcusable would be continuing in the ranks of the political world of Cyprus, and Cypriot Hellenism in general, a discord which weakens and undermines the negotiating position of the Greek-Cypriot side and strengthens the adversary in his implacability and ambitions by offering him "arguments." The removal of the discord must now come immediately, at least as regards the maneuvers from now on. And Greece's entire political world should also move in this direction, with suggestions by each political formation to its "counterpart" or "relative" in Cyprus, but also on a more general basis.

We repeat that the moment is decisively critical for the Cyprus issue, but also all of Hellenism, and the responsibilities of all of us in Cyprus and in Greece are enormous, facing mankind and history....

POLITICAL

CYPRUS

# PARLIAMENT URGED TO REORGANIZE KYP

Nicosia I SIMERINI in Greek 28 Jun 85 p 3

[Editorial by Kh. Kharalambidis: "The Sinful KYP"]

[Excerpts] The monitoring and tapping of telephone calls by the police and KYP [Cyprus Information Service] has come to be uncovered and added to so many crimes of the government against its citizens. It is an unacceptable and inexcusable crime which abolishes freedom in private and professional life. Because the purpose of monitoring and tapping telephone calls is to blackmail citizens who do not submit to KYP's demands or do not stand by the government. The conversations which are tapped are used to libel and humiliate KYP's victims.

This service unfortunately has a mistaken perception of its job. And it does not serve the purposes for which it exists, but others completely unrelated. The job of the Central Information Service is to monitor situations relating to the government's security, with a purpose of preventing these situations from being activated. KYP's mission is to check every movement or action related to activities against the state and to thwart them.

Instead of KYP monitoring the movements of the enemy and suspicious agents, however, it monitors the private, professional and sexual life of law-abiding citizens. It intervenes in a completely unacceptable way in their private lives.

KYP, which has involved the Public Service in so many predicaments, ought to be brought to its senses. Its officers and people should strictly confine themselves to their jobs so the state can feel safe from the many, diverse enemies and agents roaming in cities and villages. The spy trial being conducted in Britain has brought to light shocking facts about the activity of foreign agents in Cyprus. We doubt whether KYP has found time to concern itself with this matter.

Concerning KYP's activities against citizens, we consider the president of the republic responsible. Because he directly supervises the service and it comes under his jurisdiction.

Irregardless, however, of what the president of the republic will do, the House should ask, and learn, by whom and how the job of monitoring suspects for the country's security is exercised by KYP. It is this body's duty to know whether the security of the state is in good hands. And if information verifies that there are weaknesses, gaps and imperfections in the service and the way it works, it is its job and obligation to act for KYP's reorganization, for making it a keeper of the state's security, not a spy on the citizens' private lives.

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POLITICAL

FEDERAL REPUBLIC OF GERMANY

INDECISION, ZEALOTRY, DEJECTION MARK GREENS' CONVENTION

Frankfurt/Main FRANKFURTER ALLGEMEINE in German 24 Jun 85 p 5

[Article by Guenter Bannas: "Delegates Have Lots of Patience—'Realos,' 'Fundis' Join Battle"]

[Text] Hagen, 23 June—Petra Kelly's speech acts as a balm on the delegates. She says that the "realists are far removed from reality" and speaks of "social democratization" which makes the Greens unnecessary and of the fact that the future must be able to depend on the Greens. There is applause for the grand old lady who still has a sure instinct for the needs of a Green party congress. Mere reformism is not what the delegates want; but fundamentalism pure and simple is not enough either. Waltraud Schoppe says that she believes in Realpolitik but that she will not let anyone take her utopia away from her. "We want to do away with everything," she adds, "but how to do this?" She answers her own question by proposing a coalition with the SPD. The lengthy intraparty squabbles are the other side of the coin of the need for harmony and consensus. And so, the applause goes to those at the extreme ends of the spectrum and to those most of all who speak in praise of the party's pluralist character while citing the need for unity.

The 680 delegates to the Greens convention in Hagen have lots of patience. They stood in line to have their name placed in the lottery which would determine the list of speakers. In the old days, the Greens conventions were marked by crowds of people running back and forth; by the radicals' attempts to create chaos and by seemingly emotional outbursts by one delegate or another which put an end to sober debate on issues and proposals after at most 2 hours' duration. Now, the delegates meet until all hours, only to return early next morning to deal with papers, proposals and amendments and to take note of the amendments to the amendments. Financial and procedural issues which drive Green rhetoricians such as Fischer and Ebermann out of the hall do not faze any of the other delegates. They do their duty; they listen and do not interrupt. Even knitting seems to have gone out of style and those who distribute leaflets on the floor are called to order—one such individual being told that he was disturbing the delegates at their work.



But those who are staying out of the conference hall are complaining about how boring the convention is and about the forbearance of those inside who are paying equal attention to every issue and every speaker—which may well be due to their fear regarding the squabbles the party still faces. That is the other side of the Green grass roots delegates and of this party convention. What does a district chairman care about the constant squabbles between the members of the leadership, their interviews and strategy papers and their internal fights and public disputes. The rank-and-file types would rather work in peace. They are looking for harmony and are worried about the decision the party must make on whether to collaborate with the SPD. The defeats suffered by the Greens in North Rhine-Westphalia and the Saarland are enough to make anyone bury his nose in the agenda. The Greens are a political party with two faces: busy as a bee on the one hand and flashy but indolent on the other.

But even the leadership would rather avoid controversy and delay decisions on important issues. They are not sure enough as to where the majority is these days—with the "Realos" or the "Fundis," as the moderates and the radicals like to call themselves—to risk a test of strength. The pragmatists deliberated long and hard on whether to have the strategy debate before tackling the financial and animal experiment issues and finally decided to schedule the items in a way that would not offend the animal lovers. The Realpolitik wing, concentrated around ecological libertarians Thomas Schmid and Kretschmann, were supposed to bring about a fundamental decision, using unequivocal language in dealing with the radicals. But Fischer and Schily, speaking to small groups, felt that this tactic would not win the necessary votes for a majority. Their tactic in the end was not to run the risk of a defeat; not to provide an opening for others and to allow the delegates to do their duty. The radicals' approach to the matter was quite similar. They could see their advantages disappearing and the composition of the membership changing. For another thing, they had failed to agree on a common proposal prior to the convention. They, too, wanted to calm things down. Following the North Rhine-Westphalian election, the party was running around in circles, party spokesman Trampert said. He, too, is looking for a new phase of peace and harmony. Moves in this direction should include new attempts to unify the membership of the executive committee as well as an understanding with Beckmann, the other party spokesman.

#### Flight Into Single Issues

This convention was marked by a flight into single issues—particularly the debate on a possible ban on animal experiments. At the previous convention, held in Hamburg last December, the radical animal protectionists who call for a total ban on such experiments already lost out against those who also want no part of the experiments but would agree to making exceptions, e.g. for medical purposes. At this convention, the issue was



raised again amid a great deal of anger and tears. Christine Schroeter is the chairperson of the FRG "Man and Animal Working Group." She is opposed to a "step-by-step" approach to the ban and wants a total ban—right now. Like Rudolf Bahro, who thinks along the same lines, Schroeter views the ban on animal experiments as a first step to drop out "of this society," out of science, as it exists today and "out of this so-called democracy." Bahro later called animal experiments a more crucial issue even than nuclear power and nuclear armaments.

Christine Schroeter just wants to go on talking and not be held to the agreed upon time limits which favor those who have gathered some rhetorical experience in the various legislatures. But the delegates themselves are not too keen on this either. Some did ask that an exception be made for Schroeter; but the majority said no, while showing a great deal of understanding for her views. "This is it," Schroeter cried. "I am quitting the Greens." She stalked out of the hall, failing to cause anything like consternation among the delegates. In fact, one of them was heard to ask coolly whether Bahro would follow. At this point, he stayed; but he did walk out the next day.

After that, a vote was taken and the moderates carried the day once again, opting for allowing exceptions to the ban on animal experiments. The "Realos" were calling this a victory over the "Fundis," a sign of hope for their wing of the party in the sense that a pragmatic approach to oppose animal experiments had been found. But that would seem to be reading too much into the vote; an attempt to make political hay out of the common sense decision by the delegates. The "Realos" also thought they were perceiving such signs elsewhere. A motion by "Realos" deputies Kleinert and Mueller called for a DM 80,000 research project into the question of "ecological reorganization" to be supervised by the Greens Bundestag fraction in Bonn.

But tactical games of this sort also reflect the helplessness and dejection of those gathered in Hagen. Schily watched many an emotional display on the floor of the convention with a jaundiced eye. And those outside the hall knew full well that the peace and quiet inside the hall had a lot to do with insecurity and with worries about what is to become of the party.

There are many faces to the helplessness and dejection, coupled with the intraparty squabbling. In North Rhine-Westphalia and in Bremen, the party's managing directors are quitting. Activists with 15 years of political experience under their belt are turning down offers of party posts, citing their family responsibility as a reason. The "Realos," above all, do not seem to be interested in becoming members of the national executive board where the radicals have a majority.

These facts of life and even more so the political origins of the party activists make the Greens fix their eyes on the resurgent SPD locomotive. In Hesse, Trampert was saying, the SPD is playing games with the Greens and, what is worse, it is trying to deprive the Greens of their social base, i.e. its adherents. One proposal put forward by the ecological socialist wing contained nothing but praise for the SPD. The "social deconstruction program" of the present government "is strengthening the SPD's role as an opposition to the Bonn changeover," the motion read, adding that the SPD was opening its doors to "ecological and alternative issues, thereby gaining new strength for purposes of integration." The worst thing that could happen to the Greens, according to Trampert, would be to lose their Bundestag seats in the 1987 election and for the SPD to remain in the opposition in which case it could operate against the Greens by making radical demands.

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POLITICAL

FEDERAL REPUBLIC OF GERMANY

RAU OUTLINES ECONOMIC POLICIES FOR NORTH RHINE-WESTPHALIA

Duesseldorf HANDELSBLATT in German 11 Jun 85 p 3

[Unattributed article: "Major Economic Modernization Program Announced"]

[Text] Duesseldorf, 10 June 85—North Rhine Westphalia's Minister President Johannes Rau said today that the SPD Land government he heads will concentrate over the next 5 years on a program aimed at a wide-ranging modernization of the economy, at initiatives for more research and at practical steps to deal with the environment.

In his government declaration to the newly elected Duesseldorf Landtag, the minister president announced a program aimed at "ecological and economic renewal of the FRG's industrial heartland." The necessary funds are to be provided by redistributing the Land's budgetary resources. But Rau also said that he would make no secret of the fact that the Land government's room for maneuvering was limited.

In addition to the fiscal limitations imposed on the Land itself, there are also limitations resulting from the division of responsibilities between the federal government, the Laender, the individual communities and the European Community, said Rau.

In his 70-minute government declaration, Rau called on the leaders of business and labor as well as government and the communities to join in a "solidarity pact" to deal with "mass unemployment."

Such a "pact based on greater solidarity" would have to include as indispensable "cornerstones" in addition to North Rhine-Westphalia's economic and ecological renewal further reductions in the length of the work week as well as a sensible labor market policy, according to Rau.

But he also warned against false hopes for a quick solution to the unemployment problem. No party and no government, he said, could promise to do away with mass unemployment in short order and without joint sacrifices. But, said Rau, "the conservative panaceas" have failed.

Rau called on the Bonn coalition to accept responsibility for safeguarding the domestic hard coal and steel industries. The government, he said, is jeopardizing the chances of the German steel industry because it is incapable of coming up with an overall plan in its dealings with the European Community. Rau also called on the government to provide "calculable, clear guidelines" on environmental protection.

The outcome of 12 May election which returned the ruling SPD to power with an even greater majority in the Landtag has given increased stature to North Rhine-Westphalia, the most populous of the Laender, Rau said. For this reason, he added, his government will now be making its position even clearer with regard to social responsibility and liberal, democratic pluralism.

Following the "clear expression of confidence on the part of the voters," Rau said, the Land government will "approach its tasks with self-assurance and well-founded optimism." But there is no denying the difficulties which stand in the way of "achieving the proper relationships in people's lives once again as between technology, the workplace and the environment."

According to Rau, the Land government therefore plans to continue pushing for "a policy based on social responsibility and the maintenance of internal and external peace." The basic guideline for political action, in his view, is "a society founded on the solidarity principle, i.e. a coalition made up of those who have a need for solidarity and those who want solidarity."

The minister president listed the following issues on which his government intends to concentrate: the start of a technological offensive and similar efforts in research policy; increased investments in the areas of "work and the environment;" greater "effectiveness" in implementing environmental protection programs; the establishment of a new communications system; programs aimed at combining environmental protection efforts with guaranteed energy resources and an increase in North Rhine-Westphalia's foreign trade activities.

In addition, the minister president announced a number of projects which are to serve as a basis for new initiatives in the social field. A "work and technology" institute and a cultural institute—which subsequently are to be combined under the heading of "Scientific Center for North Rhine-Westphalia—will look into the question of the "social compatibility of technology." The Land government also intends to establish a foundation devoted to "protecting the natural environment and fostering the cultural heritage," patterned after the English "National Trust," which will provide private citizens with an opportunity to work for the protection of the natural environment.

This morning, the new cabinet took its oath of office in the Duesseldorf Landtag. The ten ministers, all of whom are members of the SPD once again, were sworn in by Landtag President Karl-Josef Denzer. Two of the cabinet members are new: Anke Brunn, the only woman, who was named minister of science and Hermann Heinemann, who has been entrusted with the post of minister of labor and social affairs.

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POLITICAL

FEDERAL REPUBLIC OF GERMANY

# FDP YOUTH GROUP CHARACTERIZED AS OPPORTUNISTIC, SUPERFICIAL

Munich SUEDEUTSCHE ZEITUNG in German 8 Jun 85 p 10

[Article by Axel Hacke: "Young, Fast and a Bit Glib—After 2 Years as Official FDP Youth Organization, Julis Still Having Image Problems"]

[Text] There is no need for lengthy debate about whether to come out with a joint leaflet with the "Sozialliberaler Hochschulbund," the SLH [Social Liberal University Association]. The only question really is whether to print on one side or both. "I really have my doubts about those leaflets printed on two sides—whether people bother to read them," Marion muses. "It doesn't make any difference whether it is printed on one side or both," Peter replies. "The text has to be extremely one-sided in any event." Stefan then reminds the group "that we have to get 50 percent cash from the SLH" to pay for the printing costs—that is perfectly clear, isn't it. But what about the other leaflet they discussed some time ago, Peter wonders. That fellow Beppo from the SLH has to make up his mind whether the Young Liberals want to join forces with the RCDS, the "Ring Christlich-Demokratischer Studenten" [Christian Democratic Students League] in publishing an appeal in connection with the upcoming student council elections.

At this point, the debate among the five members of the Young Liberals Munich University group who are holding their regular meeting on this particular evening starts to heat up. "People generally think that we are farther to the right than we actually are," Holger says and Stefan wonders whether collaboration with the RCDS, which many students view as an organization which plays the game to the hilt, will not "furnish added ammunition to the image of a yuppie youth organization."

## Leaflet Problems

The fact that many think of them as opportunists at the right end of the spectrum of the FDP younger generation makes a good many Young Liberals unhappy although they do take comfort from the thought that they have held the title of official FDP youth organization for the past 2 years. It could be therefore that the problems this group is having—up here on the second floor of a building on Munich's Agnesstrasse—in getting a leaflet ready for publication are quite typical for many Young Liberals' [Julis] problems with their public image.

Martin Zeil, on the other hand, is "extremely pleased" about the fact that "not even the newspapers who wish us ill still view us as a group at the right end of the spectrum but are forced to accept us as the youth organization of the FDP." Zeil was among the very first Young Liberals, having joined the FDP in 1974. In 1975, he founded the "Young Liberals Working Group" in Starnberg—on the one hand because of his dissatisfaction with the Marxist-inspired "Leverkusen Manifesto" adopted by the Young Democrats in 1971 and on the other hand because of his unhappiness about the way the local Young Democrats' group was being run. "It all started on a strictly local basis," Zeil says today. The first contacts at the national level go back to 1979; a first FRG-wide meeting was held near Frankfurt in April 1980 and the first national congress took place in Bonn in November of that same year. At that congress, there was an uproar centering on a right-wing group from Berlin, headed by GDR refugee Nico Huebner, which asked for delegate status but was finally removed from the premises by the police.

### A Proxy Fight

After that, the Julis and the Judos [Young Democrats] became embroiled in a debate dealing with the government changeover in Bonn and at the national level a kind of proxy fight of the two wings of the party ensued. At the end of 1982, the Young Democrats broke with the FDP and early in 1983, the FDP recognized the Julis as its official youth organization. These controversies have a way of lingering on, albeit in different ways. The North Rhine-Westphalian Juli chapter, which has 40 percent of all the members, is considered to be the most conservative of the lot. The reason for it is that the most radical wing of the Judos was to be found in North Rhine-Westphalia some years ago and the Young Liberals had to make a special effort there to build an image of their own. In Bavaria, the situation was different. The Judos there were always of the more tractable variety and it was not until the changeover in Bonn and the Judos' subsequent break with the parent party that attempts to unite the Judos and the Julis ultimately failed. But a certain kind of continuity has been maintained after all. Entire Judo kreis organizations made the switch to the successor groups and so the Bavarians today are considered to be on the left end of the spectrum. When a vote was taken on arms modernization, for example, they came out against it by a narrow margin. The North Rhine-Westphalians, on the other hand, were strongly in favor of it and so was the national organization.

The intensity of the struggle in some of the Laender was not duplicated in Bavaria. But Ruediger Pieper, the deputy national Judo chairman from early 1979 to the end of 1982 does recall "that a definite effort was made to finish me off professionally" as a free-lance consultant at the All-German Institute in Berlin. But the funny thing is that Pieper is a member in good standing of the Julis today, having joined that organization in the fall of 1983. This resulted in his expulsion from the Judos

without alleviating his problems with the Julis right away. Pieper, after all, had lived in an occupied building in Berlin for some 2 years.

"We had distorted images of each other at that time," he now says. "I had my cliches and they had theirs." Nowadays, he sometimes takes friends from the alternative scene along to Juli debates "and when you come right down to it, they are usually quite amazed." Now that goes back to the Munich Agnesstrasse issue and Pieper comments on it as follows: "Back then, people attacked us Judos for maintaining contact with the FDJ in the GDR and now the Julis are trying to do just that but the FDJ won't play because they are not sure of their own image."

Pieper feels pretty safe on that score, believing that the Julis have a "very clear image on typically liberal political issues" being for voting rights for foreign nationals; against stricter provisions on granting asylum and against the introduction of a machine-readable identity document. "If the FDP turns into an out-and-out economic political party, then it will definitely run into trouble with the Julis," says Holger Grams, the youth organization's deputy chairman for Bavaria. And Gerhart Baum, the deputy FDP chairman and onetime strong foe of the Julis, puts it this way: "They have broken with their godfather and have become a factor inside the party which opposes an all-too-close association with the CDU voters." Pieper feels that the situation is fairly clear. "The problem is how such an organization arrives at a clear image. In the old days, the organization had to differentiate itself from the Judos; now it has to do the same thing vis-a-vis the party as a whole, if need be." And vis-a-vis the CDU/CSU as well, which Juli chairman Guido Westerwelle accuses of laxity in its interpretation of constitutional provisions at every opportunity.

Westerwelle was elected on the first ballot, with 43.23 percent of all members voting. This is not the way the Judos elect their officials; but then their membership was not identical with that of the party. In the Julis' case, this is obligatory, although the question of whether to permit a kind of 2-year "trial membership" in the youth organization is currently being discussed. As compared to the Judos, the [CDU/CSU] Young Union and the Young Socialists, the Julis are quite young. Guido Westerwelle, a Bonn law student, is 23 and the average membership age is 22.7.

At this time, there are 4,000 Juli members FRG-wide. Last year, the organization states, 1,000 new members were registered. Since 1980, membership has quintupled. Peter Sturm, Juli chairman for Bavaria, believes that the organization has an absolute potential membership of 10,000. In North Rhine-Westphalia, the Julis already have almost as many members as the FDP itself; but in other Laender, including Bavaria where only one-third of the FDP kreis units also have Juli chapters, Juli membership lags behind that of the parent party. As before, membership is concentrated in the large cities and generally restricted to secondary school and university students.

"We are pursuing a perfectly clear strategy," Westerwelle says. "We want to capture the backlash among young people against the no-future mentality. I am speaking of that group of young people which is saying: we want to do something on our own; we **are** in favor of the performance principle, but we also want a society based on pluralism."

That is probably why the Juli style and perception of political life is always oriented toward concrete facts and the idea of making things happen, if at all possible. Discussions about theory are rare. Proposals to come up with a definition of the "fundamentals of liberalism" were either not discussed at the most recent FRG-wide congress or withdrawn by their authors because their language would not have survived a real debate. "The Julis think along pragmatic lines," Peter Sturm says, "and maybe a little more superficially than some others. And Ruediger Pieper puts it this way: "They were catapulted right into the arena of power politics and thus did not have as much time to develop as the Young Democrats." This is probably why the flashy, brassy style used by the Julis in their pamphlets and speeches in which they define themselves still seems a little devoid of content. **This is** reminiscent of the Young Democrats—albeit in an entirely different way—and their "two-pronged strategy" of trying to change the party and society simultaneously.

#### Thorn in the Flesh

The Julis want to act as a "thorn in the flesh" of the FDP and "as a leaven," according to Westerwelle—and they are, of course, **unafraid** of "hot potatoes." But this is still in sharp contrast with the weak programs thus far devised by the organization. At a congress in Bonn in April, the Julis did try to fill in the gaps somewhat after taking up most of the time at the last regular meeting of the organization with procedural matters and discussions with party leaders Genscher and Bangemann. "It is no exaggeration to say that this was a clear indication of the close ties between the party and its youth organization," the official Juli organ JUNG UND LIBERAL [Young and Liberal] wrote ecstatically at the time.

And what about the thorn in the flesh? "We are not performing that function," Pieper says, "because the Julis follow the FDP party line too much. They are not moving into new territory." Westerwelle does point out, however, that it was the Julis who came up with the term "ecological market economy," which has since been adopted by the FDP. But still, the impression remains that the Julis frequently simply follow the party's marching orders. "When you look through the proposals," Baum said at the last national congress, "many of the issues are just rephrased," e.g. SDI; Haussmann's wage proposals; Bangemann's social security views. And when one of the delegates got up to say they should not just discuss the issues all day but take to the streets in Bonn's inner city "as fighters



and not mere paper tigers" in order to take an active part in the North Rhine-Westphalian Landtag election campaign, everyone quickly agreed.

The Julis are welcome as helpers during a campaign; "but we also want to make policy," says Bavarian Peter Sturm. The two are not always easy to separate. Westerwelle purposely scheduled a resolution on volunteer military service for women for Saturday in order to make the weekend headlines "because a small youth organization gains at least some of its strength from effective media coverage." He is also quite proud of the fact that the latest round of pay increases in the armed forces goes back to an initiative of the Young Liberals. "Down-to-earth youth policy, that is what I like to do best," he says.

#### No Theoretical Framework

"The problem with the Julis," says Holger Grams, a member of its Bavarian executive board, "is that they lack a theoretical framework for their policies. But we are children of our time and the people we are trying to recruit at the universities are not those of 1968 but people who worry about getting jobs. There is no way of getting around that—even if we personally have other interests." Of course the Munich Juli university chapter also spent some time on the new omnibus higher education bill; but on this particular evening the discussion centered on an ongoing campaign against problems connected with borrowing books from the state library. Later, Stefan raised the question once again of whether more thought should not be given to improving the bicycle paths inside the university compound.

And as far as joint Juli/RCDS publication of the leaflet is concerned, the group ultimately agrees with Petra who says that the whole thing would only be acceptable, "if one of the truly leftwing group also signs the document." But there is little hope of that and for that reason the SLH's Beppo is a little disappointed when he looks in on the group a little later that evening and is told what the five of them decided. But in a way, he had known that all along.

9478

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POLITICAL

FRANCE

## WEST EUROPEAN COMMUNIST PARTIES MEET IN PARIS

Paris L'HUMANITE in French 22 Jun 85 p 7

[Article by Jean George: "After the Meeting of Capitalist Europe's Communist Parties: Richness in Diversity"]

[Text] The media paid little heed to the meeting in Paris last 12 and 13 June of the communist parties of capitalist Europe,\* either beforehand, and even less afterwards. This circumspection would be enough to prove that these activities were positive for the communists.

The day before the meeting, LE FIGARO pointed out that the PCF French Communist Party] was "in a good position" to succeed in such an initiative. Some newspapers, LE MATIN in particular, tried to speculate on alleged conflicting viewpoints, and an atmosphere fraternal only in name.

In its 15 June issue, UNITA, the main organ of the PCI [Italian Communist Party], wrote: "The meeting had only one objective: to permit the free interchange of opinions and ideas without the desire or claim that differences would be hidden. From this viewpoint, it was a useful meeting, a serious interchange that was rich in information, not calling for tabulated results but inviting reflection." This underlines both the value of the approach which governed the meeting, and the contributions of each of the 18 delegations.

### Without Formality

The presentations, which took the first day, and the exchange of viewpoints which took up the second, were limited by common accord to a topic which for that matter is a very broad one: "The crisis, analysis, and actions of

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\*The following communist and workers parties were represented: the German Communist Party, the Communist Party of Austria, the Communist Party of Belgium, the West Berlin Unified Socialist Party, the Communist Party of Denmark, the Communist Party of Spain, the Communist Party of Finland, the French Communist Party, the Communist Party of Great Britain, the Communist Party of Greece, the Communist Party of Ireland, the Italian Communist Party, the Communist Party of the Netherlands, the Portugese Communist Party, the Communist Party of San Marino, the Communist Left Party of Sweden, the Swiss Labor Party, the Communist Party of Turkey.

communist parties in each country." The meeting ended without one of those joint declarations which sometimes require laborious stylistic compromises to hammer out, taking up the best of the meeting time.

This absence of formality represented something new in the traditional debate among the communist parties. It reflected a concept of bilateral and multilateral relations based on mutual respect, independence, strict equality in rights, noninterference, and the recognition of the right to differ, even to go separate ways.

The meeting was possible because there is no longer an International, no European or international center of leadership. This is true only of the communists. All other parties, of both the right and the left, are tied to supranational interests and are disturbed by our diversity which sticks to realities.

Multiple analyses revealed points in common. There is a general crisis in western Europe, whatever the government may be. Conservatives, christian democrats, liberals, social democrats, socialists, all merge in the big capitalist transnational model. All claim to have found a solution through the exploitation of the workers, total or partial unemployment, the new panacea of job flexibility, and thus only aggravate the crisis and promote the advantage of a small number.

At the same time, the crisis is viewed by the communists as giving rise to new relations between man and labor, between men at work and in society. The great soul-searching at the end of the 60's, the desire, primarily among women and young people, to live differently, stimulated reflexion among West European communists through different cultures.

### Joint Realities

The growing militarization of most economies was one of their main concerns. To emerge from the crisis, a reduction in tension and a substantial improvement in international cooperation seemed to them indispensable. All wanted to reply to the Reagan "star wars" challenge, to the dominion which the United States means to exercise over the old world.

The scope of solidarity, and the possibilities of joint action on a European scale are vast. Nevertheless, each party viewed these shared realities from the perspective of their particular history and specific strength ratios. All criticized the policies adopted by the socialists in power, but the emphases and perspectives were necessarily different according to the strength, alliances, and past promises of each of the socialist parties, without forgetting the relations which the communists concerned maintained with the latter.

The importance of Soviet-Finnish relations, Austrian neutrality, maintaining an antimonopolistic revolution in Portugal, the consequences of the occupation of Belfast on Dublin's policies, to mention only these examples, are so many basic facts which govern all analysis and strategy in each of the countries concerned.

West European reality is made up of these nations, these cultures, and these histories. The communist parties share a common analytical method, itself productive. Their reflections are mutually enriching. The particular viewpoint of each one never lacks significance for the others.

### Ploughing One's Own Furrow

In Great Britain, basic wages are so low that overtime becomes an absolute necessity to get more than a minimum living wage. Under these circumstances, the automatic sorting machine does not immediately appear to postal workers to be progress. Knowing this, one can better understand that the consequences of new technology depend basically on management choices, and that a reduction in work time without growth increases poverty.

Listening to one another, expressing oneself freely, no one feels the need to give lessons or to convince by well constructed speeches and well chosen arguments. Above all, one acquires the need to learn from all and to plough one's own furrow.

Differences, when stated calmly, are nothing catastrophic and can even raise useful questions. They are well known and hinge upon the very concept of Europe which is much older than the present Community, long conceived of in different fashion. The Germans, French, Italians, and Spanish have not come to know Europe in the same way.

One must avoid objecting with a French or Italian point of view to the political integration which some do not reject, and even desire, the possibility of emerging from the crisis as a single country that the same people consider more or less impossible, the Eureka project which some, while evincing suspicion, interpret in terms of the possibilities they think it may provide for decreasing the tensions and risks of "star wars."

It is impossible to make a two column chart of the positions expressed. There were many nuances and gradations. To attempt a classification would amount to denying the approach which governed the meeting. No one took any risks. In addition, because of the open atmosphere, positions do not seem to have become entrenched. There was a declared willingness to modify them when the facts so required.

At the conclusion of the two days, no appointments were made. It was not at all a matter of institutionalizing a practice. Other opportunities for exchange will arise. Life will see to that. It is a need felt by all the participants who expressed their satisfaction with the success of this first meeting.

9824

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POLITICAL

FRANCE

## BRIEFS

**GDR UNION DELEGATION VISIT--**At the invitation of the CGT [General Confederation of Labor], a delegation of the FDGB, the GDR's trade union association, led by its president Harry Tisch has just made a visit to France. It had several meetings with workers from the Paris area, particularly at the Vitry thermal station, and held discussions with Henri Krasucki and the CGT confederal office. At the conclusion of the visit, the FDGB and the CGT, whose first cooperation agreement dates back to 1950--a time when the existence of two sovereign German states, one capitalistic and the other socialist, was not something generally admitted--published a joint declaration. The two unions, "concerned at the accumulation of weapons for mass destruction," and particularly the plans of "Reagan and several European governments for continuing the arms race in space, undertake to participate in all national and international activities" for peace. They spoke in favor of "large-scale cooperation by all trade union organizations regardless of their affiliation, in the interests of peace and social progress." [Text] [Paris L'HUMANITE in French 22 Jun 85 p 7] 9824

**GOVERNMENT CAUTIONED--**Five parties from Martinique, Guadeloupe and Reunion warned the government of the "danger of serious trouble" to which the "disastrous" social and economic situation of the overseas departments threatens shortly to lead, and asked that "energetic and urgent" measures be taken. In a joint statement made public yesterday, the Communist Parties of Reunion, Guadeloupe, and Martinique, the Martinique Socialist Federation, and the Martinique Progressive Party declared their concern at the drop in production and the increase in unemployment in the DOM [Overseas Departments]. They stressed that the unemployment rate was more than 30 percent of the active population, "which would correspond to more than 7 million unemployed in France." Paul Verges, secretary general of the Reunion Communist Party, stated that "in Reunion, where unemployment will reach 40 percent by 1988, we are heading towards a social explosion in the very near future." He called to mind the recent statements of the prime minister concerning New Caledonia ("always too little has been done too late"). "This statement also applies in our situation," he said. "Unemployment is a hotbed for extremism, especially since the exploitation of the situation finds a broad response among young people," Ernest Moutoussamy, the Guadeloupe communist delegate, said. [Text] [Paris L'HUMANITE in French 25 Jun 85 p 4] 9824

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POLITICAL

NORWAY

## COMMUNIST PARTY OFFICIAL DESCRIBES ELECTION GOALS

### Party Consolidating Main Goal

Oslo AFTENPOSTEN in Norwegian 3 Jul 85 p 3

[Article by Morten Moller Warmedal: NKP [Communist Party of Norway] to Run In All Counties"]

[Text] Not even a tenfold increase in votes could give the Communist Party of Norway representation in Parliament after September 9. But this is not stopping the small party from running candidates in all counties. With about 1,000 election workers, the consciousness of the working class will be raised in the best Marxist-Leninist tradition. "Our aim in this electoral race is consolidating the party," Bjorn Naustvik, the NKP organizational secretary told AFTENPOSTEN.

Disarmament and employment are the principal issues of the NKP. A treaty must guarantee that the Nordic countries be a nuclear-free zone, and even greater government funds must be used to put an end to unemployment, the party believes. However, there will not be many who can spread this message during the electoral campaign, since NKP's yearly travel budget is only about 60,000 kroner. "The Conservative Party spends more on one function in downtown Oslo than we do on the whole electoral campaign," Naustvik sighed as he explained that it is mostly gifts and contributions which make up the financial backbone of the party. Overall the NKP has one million kroner to spend per annum, of which about 20 percent comes from membership dues. The state does not make any contributions because the NKP is not represented in Parliament.

In addition to Naustvik, the party's chairman Hans I. Kleven and vice chairman Ingrid Negard will help conduct the national electoral campaign. Naustvik said that the electoral strategy will be to go in for local contests. Oslo is important, but the party also views North Norway as being of significance. At present the NKP has one representative on the county boards of Nordland and Finnmark.

Despite its particularly weak position, with support ranging from 0.0 to 0.6 percent, Naustvik believed that the NKP has a position which cannot be overlooked. "Vast sums are being used to argue against what the NKP and the international communist movement stand for. We have a 60-year history in Norway



which inspires respect. Today we are active and enjoy support within the peace movement and the workers movement," Naustvik said.

"What does the election mean for you?"

"It is important for us to have the opportunity to present what the party stands for in all counties. We still think that the Labor Party and the Socialist Left Party should have formed an electoral alliance with us in order to bring about a change of government. The Willoch government is out of touch with the majority of people in many areas, especially security policy," Naustvik stated.

He concedes that labeling the party as sympathetic towards Moscow is a debit, but nevertheless believes that such a characterization can rebound on people over time. In Naustvik's opinion this is because the crisis of western capitalism and the gradual efforts at reform which are being carried out in socialist countries (China, the Soviet Union, and the rest of the East bloc) to get the economy moving will turn out to put wind in the sails of those points of view which the NKP defends. As Naustvik formulates it, socialism is only a step on the road towards communism, the final state in which people get paid according to what they need and not according to what they produce.

But the transition to socialism will occur peacefully, without civil war or armed revolution. In the meantime, Naustvik suggests that it is not very satisfying that a political alternative as important as the one the NKP stands for receives so little support.

#### Electoral Alliances Sought

Oslo AFTENPOSTEN in Norwegian 20 Jun 85 p 3

[Text] Over the weekend the central committee of the NKP approved a measure encouraging the Labor Party and the Socialist Left Party to form an electoral alliance with the Norwegian Communist Party in this autumn's parliamentary election. A statement said that four years of a non-socialist government dominated by the Conservative Party have been costly for the Norwegian workers movement.

12789

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POLITICAL

PORTUGAL

## ESTABLISHMENT OF PRD AS BONA FIDE PARTY ANALYZED

### Ideology Seen Lacking

Lisbon O DIABO in Portuguese 18 Jun 85 p 2

[Article by Jose Miguel Judice: "The Party of the President"]

[Text] The PRD [Democratic Renewal Party] has finally been born, and with this development the mythical and personalized Eanism will become institutionalized Eanism included in the political party spectrum. There is therefore reason here to salute the young party and wish it prosperity. And I do this without any irony, but solely because it seems to me highly desirable to have no ambiguity between a faction of opinion and its political expression. "Eanism" is a reality, and as such it would be undesirable for it to lack a political expression consistent with the rules of the game in effect.

Is this not the party of which many and various politicians have dreamed over a long time? Is it not the powerful, different, innovative party urged by various people with naivete or hopes of public exposures? Obviously not. Has it been born under the sign of disbelief and ambiguity on the part of absent leaders, and of strategic confusion? Clearly yes. But how could it be otherwise? How could those who were thinking that Ramalho Eanes could be something other than a commonplace adviser of the revolution have been satisfied? How could a party in which the disillusioned and discontented from other parties had taken their place be different, for the better, from the others already in existence? How could a project which, despite being based on confusion, on pseudo-unanimity, on acceptance of all the contradictions, seems to be doomed to be only the fifth Portuguese party, in a system which was already not functioning very well with four parties, be clear?

Be that as it may, here we have the newest brother in the Portuguese party family. And the "party of the president," or of the wife of the president, will have to win votes once again, rather than utilizing the votes of others, as happened during the schism which was to produce the ASDI [Independent Socialist Democratic Association]. And it is a party of the left which will have to learn how it can coexist with the PS [Socialist Party] in the same space: will they join in a coalition? Will the PRD take its place between

the PS and the APU [United People's Alliance]? Or will it be situated between the PS and the PSD [Social Democratic Party]?

This is the great and interesting political question raised by the PRD. If there were any political logic, the PRD would become an ally of the PS, tiny and amusing, but open to the PCP [Portuguese Communist Party], less specific on the ideological level, with fewer national personalities but with some local notables the majority of whom, moreover, were previously in the party of Soares. But logic in politics is a solecism and the PRD is like other parties, and thus it will compete with the PS. And it will do so pretending that this is its right, although it is to its left.

Let us proceed to the explanation of what has been written down. The leading cadres of the PRD are a mixture of more or less shameful revolutionaries, civilian and military members of the MFA [Armed Forces Movement], local notables who for one reason or another have fallen out with those in control of the PS outside their areas, and unconditional supporters of Ramalho Eanes, with the natural proportion found in all parties of the unemployed, the ambitious, the opportunistic, the spectators in politics who, farsightedly or short-sightedly, believe that this is the most profitable choice.

This confused mass lacks anything which could unify it on the ideological level other than the April mythology (just as the PCP alone currently anticipates), the support of the current president and the likelihood of a certain neutralism on the foreign level and more or less clear agreements with the PCP as a real possibility. This was the case with the CNARPE, and the PRD is the CNARPE without the PS militants who committed themselves seriously to the triumph of Ramalho Eanes.

On the basis of what has been said, the PRD is to the left of the PS from the point of view of political strategy (although on the ideological level, it is on neither side). But this uncomfortable place promises no future, for which reason its leaders will not hesitate to adopt a position between the PS and the PSD, an apparently attractive sector because it is believed to be full of voters disillusioned with the two former friends and coalition members. The PRD has no ideology and no strategic consistency, because if it had, this would be in contradiction with the political goal proclaimed by its leaders. It is for this reason that they reject Pintasilgo, for this reason they say nothing about the strategy in connection with the PCP, and it is for this reason that they will give out hints of the possibility of alliances with the PS or the PSD.

Is all of this dishonest? If the shoe fits, it is, but this is not the most important point. Predicting what will happen with this political strategy is of greater interest than making moral judgments about the centralism of Jose Carlos Vasconcelos or Sa Borges (not to speak of the political friend of Otelo, which Lt Marques Junior was some years ago). And on this subject I can venture to say that the PRD will win more votes than the polls suggest. I am even convinced that it will obtain between 12 and 18 percent of the votes in the coming legislative elections, votes drawn above all from the PS, and to a lesser extent from the APU, with some slight penetration into the PSD sector.

If this comes about, the PRD may be the decisive party in the coming years or, on the contrary, it may be crushed by the opprobrium of the left wing without however being adaiired by the right wing, which seems mysterious but is not in fact. If the five parties present themselves singly to the electorate, they will all obtain results of between 15 and 25 percent, which will give the PRD a certain control of the situation in the Assembly. But if the PSD and the CDS [Social Democratic Center Party] draft joint slates, the participation of the PRD and the division of the votes of the left wing into three may give Cavaco Silva and Lucas Pires an overwhelming majority of deputies, with the full utilization of the Hondt method. Who would then forgive the PRD for causing in 1985 what Sa Carneiro could not achieve in 1980, that is, giving the right wing "a majority, a government, a president"?

#### Manuela Eanes Suggested

Lisbon SEMANARIO in Portuguese 22 Jun 85 p 64

[Text] An intensive base movement in the new Democratic Renewal Party is attempting to win acceptance of the suggestion that Manuela Eanes, the wife of the president of the republic, should head the slate of that party for Lisbon in the probable October legislative elections.

It will be remembered that Manuela Eanes, who would substantially strengthen the electoral potential of the PRD as the No 1 candidate for Lisbon, was present at the convention last weekend.

Sources close to Belem circles could not, however, confirm any immediate acceptance of this reported base level movement for the time being.

#### Importance of President's Wife

Lisbon EXPRESSO in Portuguese 22 Jun 85 p 4

[Article by J.C.B.: "Peronism Portuguese Style"]

[Text] In the view of some individuals, Maria Manuela Duarte Neto Portugal Ramalho Eanes, 46, a native of Almada and the daughter of a public official, is a "first lady" who engages in charitable pursuits and who can be identified anywhere by her coiffure, an image credited to her hairdresser Jose Carlos (one of the best known in Lisbon).

For those who know this graduate in law, whose presidential colleagues insist on calling her Dona Manuela, more intimately, her activities are however far from limited to social causes and the education of her two children.

"At the Belem Palace, she is the other aspect of the government," the president's advisers say.

They are speaking of some instances of her activity in the Civilian Household. They describe some episodes in which her influence was decisive. For example, in 1980, when Dom Antonio Ribeiro was hesitant about the formal obligation to attend the funeral of Prime Minister Sa Carneiro, it was not in fact other



figures linked with the church who persuaded him to compromise--not celebrating the mass, to be sure, but attending the ceremonies. It was she who was reported to have convinced him, just as it was she who served as an intermediary between the president and the church on delicate matters such as the abortion law, and it was again she who led Eanes to give the "green light" to the Renewal Party.

These and other reports which are difficult to deny (and also, to confirm) point to a personality equal to the situations which brought her to the forefront last Sunday.

Thus the fact that someone like Henrique de Barros could explain membership in the Renewal Party in terms of a request from Dr Manuela Eanes is not surprising. Nor was her presence at the ceremony at which the party was established, in view of the justified absence of the president. Nor moreover, can her presence, alone, at successive public ceremonies, or the rumors launched in socialist circles that she will head the PRD slate for the legislative elections in the Lisbon district, cause surprise.

The only ones who could be surprised would be those who see her only as an individual making an effort to display the Eanist couple in public as a family united in the purest traditional sense, or those who never believed the rumors that Eanists in the north, some months ago, wanted her as the PRD candidate in the presidential election. The truth is that Maria Manuela Ramalho Eanes is not the first president's wife to follow the example of Dona Maria II and Dona Amelia by having a child while serving as "first lady." She has participated in political decisions and has assumed a "presidential" role which some expect will go beyond the ambition to be a candidate for a deputy's seat. Unlike Deputy Maria Barroso Soares, she seems to have a taste for major social and charitable undertakings to the benefit of the legions of neglected voters.

But unlike a South American lady whose praises are now being sung on the musical stage, she seems to prefer an organized influence on offices and ceremonies to the thrill of swaying crowds.

This is, in any case, understandable. As understandable as the fact that we are in Lisbon and not in Buenos Aires, where Peronism may be more of an emotion than a concept, while Eanism, which is not an idea, must be above all a state of mind.

#### Future Party Role

Lisbon SEMANARIO in Portuguese 22 Jun 85 p 2

[Article by Marcelo Rebelo de Sousa: "In 1980, Sa Carneiro Was Not Anti-Eanist"]

[Excerpts] We must admit that we had planned an article for this week on the influence of political cycles on economic policy in Portugal.

In the abstract, this is a fascinating subject.



It promised an enlightening commentary on a current subject. But the speed of present political developments explains our postponement of it for a time, in order to concentrate on a logically conceivable scenario, and it would be no surprise if this appealed to some of the advisers in Belem.

Of what does this scenario consist? It concerns what might be called the launching of the PRD into national political life on the right footing.

Recently established, the Democratic Renewal Party will move forward to registration with the Constitutional Court and to participation in the ever more probable parliamentary elections next October.

The Tomar Convention indicated that practically all of the important personalities in the Eanist movement are members or leaders or at least sponsor the party.

The PRD is therefore that Eanist party which has been promised or hoped for at various times during the first and second terms of office of its sponsor. It is that group created more as a function of an individual than a stable and consistent body of ideas. It is that confederation of former socialist and social democratic dissidents, including important figures, to be found in the independent left and even close to the PCP, and also a few from the independent right wing, to expand the range and make the connotations vaguer.

Without the dissolution of the parliament and early legislative elections, it would not die, but it would experience more anguishing moments.

With parliamentary elections in October, the PRD could advance while the presidential term of the man who inspired it is still in progress and, who knows, it might win between 5 percent and 15 percent of the votes cast by the citizens of Portugal.

Crises in other parties, the benign fashion in which the PCP may treat it, the presidential sponsorship, some favorable news--these and other factors might transform the PRD into a key element in the national party system.

We had already written some months ago that our party system, which has been the same in its main outlines since 1974, could change from a multiparty system with two large and two average parties to a multiparty system with five parties.

And the increased party splintering might in turn have two basic consequences. It could make the existence of a dominant party or electoral coalition (such as the AD [Democratic Alliance] was) more difficult, which would stabilize our multiparty system perfectly, in the sense that more than two large and average parties would compete within it, without any of them winning 35 percent in the parliamentary elections, or it could increase the number of parties needed to form a parliamentary majority and a government coalition.

We are approaching the crucial point. If the PRD acquires strength within the limits noted, it will become the essential party for the formation of any government.

This is especially true if the PS, the PSD, the PCP and the CDS participate in the coming elections with positions closer to each other than was the case in 1983.

The PRD could become indispensable to any majority and all majority governments: on the left with the PS, and on the right with the PSD and the CDS.

In other words, although at the end of his second term of office, General Eanes is just inches away from winning that overwhelming political victory represented by leaving power after having created his own party, a party which will allow him to serve as arbiter in the government future of Portugal for the next few years.

And, at the same time, the PCP is just inches away from confirming that unthinkable event which is the placement of its Trojan horse in the middle of the Portuguese party chessboard, which might give it access to sponsorship of democratic political sectors to which it formerly had no access.

General Eanes will leave political power behind within a few months. Now he may be able to have it, at a distance, for years.

The PCP has not had the footing from which to win government power and a parliamentary majority for support. Now it is just weeks away from attaining its passport to governing the country.

A salute to both!

We are then about to come to the time when the PRD is on the threshold of the great portal for entry onto the national political scene, which it did not expect, but which others opened for it.

Only this portal may become a triumphal gate if the coming legislative elections produce a result leading the PSD and the CDS to form a majority, for lack of a prior electoral coalition and majority victory. That then would be confirmation! A recently established party, immediately becoming a part of the parliamentary majority and participating in the government. Without which, Portugal cannot be governed. A party which can provide a bridge to the PCP, which the PSD and the CDS do not want to do (as can be seen, neither the PSD nor the CDS invited the PCP to its respective congress, but the PRD logically did). A party with the support of the president of the republic still in office. A party which could plot the course of a presidential candidate on a unity platform, bringing together Eanists, centrists and social democrats!

In 6 months, four birds were killed with one stone. First, the PRD appears in the Parliament and then in the parliamentary majority. Second, the PRD, in this way, becomes a participant in the cabinet to be appointed. Third, the PRD projects this first political success into the elections for the self-governing bodies. And fourth, the PRD unifies its efforts in support of a presidential candidate shared with the CDS and the PSD.

On balance overall, the Eanist sector, which was to lose its president, is gaining a president, a majority and a government. The PCP shares in all of this, without having to share any one of them in particular.

For neither the PS nor the PSD alone can achieve this under these conditions. And the PSD and the CDS alone, in all probability, cannot win the seats which would guarantee such a majority.

Now winds from various quarters seem to be threatening to make this coalition difficult, and there are even responsible leaders who are withdrawing from the world of achievable things.

With the failure of this still rather complex recourse, the path of the PRD becomes easier.

And it is no surprise that neither one, nor two, nor three, but even more heads in Belem have come to dream of this "a posteriori" majority which would include Herminio Martinho, Dr Vieira de Carvalho and engineer Eurico de Melo.

A three-way president, possibly, who knows, harking back to a previously famous military figure.

A social democratic prime minister, with a three-way cabinet as well.

A parliamentary majority with the same composition.

What more could a party just days away from its legalization, on which there has been so much speculation, dream of?

Obviously, between the dream and the reality, a period of waiting still intervenes. And, above all, the desires of the PSD and the CDS.

Who can guarantee, for example, that the new leader of the PSD will be ready in 1985 to agree to the pacts, compromises and concessions that the party has always, for years on end, rejected?

It would be as absurd, as aberrant, as inconsistent for Dr Cavaco Silva to agree to sponsor the party debut of General Eanes as the title of this article intentionally is.

Everyone knows that in the great battle Dr Francisco Sa Carneiro waged in 1980, he had in General Eanes and in the project of which he was the harbinger (and which is specifically reflected today in the PRD) a skilled adversary, not to say his main enemy, along with the PCP.

Who can believe that Dr Anibal Cavaco Silva, taking advantage moreover of political and emotional links with Dr Sa Carneiro, would sponsor the logical corollary of that which he seeks to combat?

We do not believe it. In voting for Dr Cavaco Silva to head the Social Democratic Party with determination and energy and, God willing, for a long

period of time, we did not vote, obviously, for openness toward Eanism, for compromise with the PRD, for a pact with what symbolized one of the evil faces of national salvationism.

He will not disappoint us!

5157

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POLITICAL

PORTUGAL

# NEW PSD-CDS ALLIANCE STRONGLY ADVOCATED

Lisbon O DIABO in Portuguese 12 Jun 85 p 2

[Article by Jose Miguel Judice]

[Text] According to what appears to be the most reliable information, Ramalho Eanes is preparing to dissolve the Assembly of the Republic and schedule early legislative elections for October. As explained in last week's SEMANARIO, this means that the presidential election will have to be held in January and that as a result, new legislative elections would be impossible before July 1986 and in fact could not be held until the end of September because of the vacation period at that time of the year.

As can be easily understood, the chief consequence of that schedule is that the legislative elections this October will have to take place under the shadow of the presidential election and with action geared to that election. This is partly because it makes no sense to analyze the legislative elections without also considering the presidential election that will take place 3 months later. Another reason is that in practice, the president who is elected within the next 6 months will have to deal with a parliamentary reality that predates him, and that reality will necessarily continue throughout the so-called state of grace--the period in which a president's acceptance by society is at its highest level and in which, as a consequence, his ability to influence events is ordinarily at its peak.

But that consequence has a consequence of its own: one that must be taken into account on penalty of losing in practice what is accepted in theory. And that second consequence is that the electoral blocs--parties or alliances--will have to present the voters with legislative strategies consistent with their presidential strategies. This means, for example, that it is not acceptable for the PSD [Social Democratic Party] to support a candidate jointly with the CDS [Social Democratic Center Party] if it does not share a joint legislative strategy with that party, and vice versa. Otherwise, the "inconsistent" parties will be penalized, and as a consequence, so will the candidate they support.

The strategic consistency to which I refer signifies specifically the formation of one legislative bloc of forces supporting Freitas do Amaral, another of forces supporting Soares, and still another of forces supporting Pintasilgo. Two unknowns remain: which bloc will the PRD [Democratic Renewal Party] fit



into? And will the possible nomination of a candidate that the PRD can support lead the PSD to accept an agreement with the Eanists to form what would be a fourth legislative bloc?

I rather suspect that the only realistic and correct solution for the PSD at this point is the one I have been advocating for several years: a stable alliance with the CDS. Such an alliance has now been made even easier by the existence of three parties on the left. Other solutions are either absurd (reestablishing an alliance with the PS [Socialist Party]) or inconceivable (an alliance between the PSD and the PRD) as well as ineffectual. I therefore support, clearly and unequivocally, a legislative alliance between the PSD and the CDS, to be strengthened by negotiated support by both parties of Freitas do Amaral. I consider it acceptable for other forces or sectors to join such a legislative alliance provided that they are part of the same presidential alliance and are willing to accept the reformist strategy that the PSD is trying to develop.

And I feel that an alliance of that kind must be large enough to ensure an absolute majority in the Assembly of the Republic, otherwise it will wind up in the opposition. In that latter hypothetical situation, it would be relinquishing to the forces on the left the job of forming a government, and naturally, if those forces have a legislative majority, they will elect a president whose views are in line with their own. But to maximize the possibility of victory and make it more certain, I also support unequivocally the presentation of joint lists of candidates, as was done in 1979 and 1980, at least in all the districts where separate lists would be harmful. To come up with a specific solution, a lot of work will be needed to harmonize the position of the PSD, which calls for setting up lists on the basis of the results in 1983--understandably unacceptable to the CDS--with that adopted by the CDS, which calls for supporting something close to parity. But the dynamics of the situation among the voters will make it compulsory to find a solution acceptable to all and one in which the local elections will certainly not fail to be remembered.

It will be said that this reduces Freitas do Amaral's chance of being elected, since in the second round, all the voters supporting candidates attuned to the legislative forces in the opposition would unite against him. That may or may not happen. But what is certain is that a victory in the presidential election will be of no use if it is not made viable in practical terms by a legislative majority.

And nothing is less certain than such an outcome. The dynamics of victory in the legislative elections did not help in the 1980 presidential election for reasons that are unrepeatable: the figure of Ramalho Eanes and the death of Sa Carneiro. The voters are tired of the conflicts between organs of sovereignty, and in a confrontation after the legislative elections, it is just as improbable that the Communists supporting Pintasilgo will vote for Freitas as it is that they will vote for Soares, their archenemy. There would be a repetition of the situation in France between Alain Poher and Pompidou, in which the Communists abstained from voting in the second round.

That abstention by the Communists in the second round gave rise to the new French Socialist Party and the Common Program of the Left, which 10 years later brought Mitterrand to power. Could that polarizing strategy have the effect of reestablishing the alliance of the Left (which for that matter may also come about if the PSD-CDS bloc does not win a majority in the early legislative elections)? The fact is that it might. But if that is the will of the voters, let there be a formation of the only coalition not yet tried under the current constitution. And there are two things that may happen to prevent it: the voters will vote against it or Ramalho Eanes will not dissolve the Assembly of the Republic. The thing that does not serve anybody's interests, especially those of the Portuguese, is the constant postponement of decisions and the alliances against nature that end up in collapse for the center bloc.

11798

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POLITICAL

PORTUGAL

#### POLL SHOWS PRD ATTRACTING SOCIALIST VOTES

Lisbon TEMPO in Portuguese 21-27 Jun 85 p 6

[Text] Considering the 1983 legislative elections and the results of a survey conducted for TEMPO by Euroexpansao regarding possible early elections, the PS would see the largest shift of votes [to the Democratic Renewal Party (PRD)].

The PS would be followed by the APU [United People's Alliance], the PSD [Social Democratic Party] and the CDS [Social Democratic Center Party].

Actually, for every 100 respondents who would vote for each of these parties in elections for the Assembly of the Republic, 92 voters would remain faithful to the PS, 87 would still vote for the APU, 84 would remain faithful to the PSD and 71 would remain faithful to the CDS.

According to the survey, 14.7 percent of the respondents expressed a preference for the Democratic Renewal Party. For each 100 votes, it would take 50 votes from the PS, 14 votes from the APU, 13 former abstentions, 12 votes from the PSD and 11 votes from unidentified parties.

The TEMPO/Euroexpansao survey indicates that, in legislative elections, the PRD would win 14.9 percent of the electorate. [Sentence as published]

Through the same survey, we can observe in somewhat greater detail the transfer of votes by the electorate, using the 1983 legislative elections as the base.

Thus it can be seen that if the PRD competed in elections for the Assembly of the Republic at this time, most of its votes would come from the PS, followed, in descending order, by the APU, former abstentions, the PSD and other unidentified parties.

Specifically, of 100 votes cast for the new party, 50 would come from the PS, 14 from the APU, 13 from abstentions, 12 from the PSD and 11 from other minor parties or political currents.

Using the same scale, if early legislative elections had taken place at the end of May, for every 100 votes cast for the APU, 87 would be holdovers from 1983, 9 would be cast by voters who abstained in 1983 and 4 would be transfers from unidentified [as published] parties.

With regard to the CDS, 71 voters would remain loyal to it in 1985; they would be joined by 13 voters who abstained in the 1983 elections, by 10 Social Democrats and by 6 Socialists.

According to the poll, the PS would remain the largest party, with 26.9 percent of the vote. Of every 100 respondents who would vote for the PS in 1985, only 8 would be transfers: 6 would have abstained in 1983 and 2 would have come over from the PSD.

Except for the CDS (for every 100 respondents who would support the CDS in early elections this year, only 71 voted for the CDS in 1983), the PSD would present the most mobile electorate. In fact, whereas 90 voters remained loyal to the PS and 87 stayed with the APU, for every 100 respondents who would vote for the PSD in early elections today, only 84 are holdovers from 1983.

Table: Legislative Elections/ Vote Transfers

<u>Intention to Vote,</u> <u>1985 Legislative</u> <u>Elections:</u>	<u>Legislative Elections, 1983</u>						<u>Abstentions</u>
	<u>Total</u>	<u>APU</u>	<u>CDS</u>	<u>PS</u>	<u>PSD</u>	<u>Others</u> <u>Void, Blank</u>	
APU	100	87	0	1	2	1	9
CDS	100	0	71	6	10	0	13
PS	100	0	0	92	2	0	6
PRD	100	14	0	50	12	11	13
PSD	100	1	7	2	84	1	5
Others	100	0	0	0	0	41	59
Abstention	100	3	4	14	10	12	57

The table shows the transfer of votes cast in 1983, relative to legislative elections in 1985. For example, a group of 100 votes cast now for the APU would come from the APU itself (87), the PS (1), the PSD (2), other parties (1) and abstentions (9).

6362

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POLITICAL

PORTUGAL

COMMENTS ON POSSIBLE PSD/CDS ALLIANCE

Lisbon SEMANARIO in Portuguese 22 Jun 85 p 10

[Article by Afonso Camoes: "Lucas Pires--the 'All or Nothing' Strategy" ]

[Excerpt] With the admonition to "fish or cut bait," the formal invitation by Lucas Pires to the PSD [Social Democratic Party] to form a new majority, capable of changing the present parliamentary picture, contains at least three contradictions and reveals a cunning in pursuit of a single strategy: that of preventing the launching of a new AD [Democratic Alliance] and shifting the responsibility to the PSD.

In view of the inevitability of early legislative elections, early this week Lucas Pires took the first public step of announcing that his party "is open to the possibility of resuming the dialogue with the PSD, aimed at forming a new majority."

However, he did not do this without, once again, blaming the PSD and the PS [Socialist Party] for the current political crisis.

No Accord Without Repentance

Nonetheless, the invitation to negotiate with the PSD was issued and published in a communique of the Political Commission of the CDS [Social Democratic Center Party], in which the novelty is the openness to "dialogue" with the Social Democrats, as if in response to increasing appeals from the rank and file of both parties.

The invitation is contradictory, however.

The first contradiction in this gesture by Lucas Pires is that it immediately runs up against the strategy which the Centrist leader himself pushed the Congress of Aveiro to approve, less than 4 months ago.

There, it is noted, the party first of all "rejected the possibility of coalition slates with the PSD" and approved a motion that "the CDS should compete with its own slate in possible early elections and should present an alternative program."

The PSD "will have to pay for its mistakes and cannot seek to restore its reputation at the expense of the CDS."



Thus, as a prerequisite for this dialogue, Lucas Pires demands penitance from the Social Democrats.

--Penitance by way of a clarification of the PSD strategy and a formal decision, through its National Council, in support of a new majority; by way of respect for the positions of each party, with equal weight for each; by way of the liberal nature of the new majority and the new government program; and by way of support for a common candidate for the presidency of the republic.

In other words, Lucas Pires will only agree to negotiate on an "all or nothing" basis.

#### Clean Slate

The CDS (which received 12 percent of the votes in 1983) will not agree to joint tickets unless they are of "equal weight," which means that the PSD (which received 27 percent of the votes) would have to wipe the slate clean with regard to those election results. This is the second contradiction in Lucas Pires' invitation, a contradiction which is even clearer when it is foreseen that parity will be a principle in the eventual negotiation of the tickets.

The third contradiction in Lucas Pires' invitation is the deliberate omission of any reference to the problem of the leadership of what he sees as the new non-socialist majority.

Here it should be noted that the Centrist leader has repeatedly announced that the CDS will not negotiate alliances as the subordinate partner and will only participate in a new government when "it is in a position to name the prime minister."

This means one of two things: either Lucas Pires believes that the PSD will accept such conditions or, purely and simply, he is seeking to disguise his strategy of several months ago, of categorically refusing to negotiate with the Social Democrats.

Why, then, would he issue this invitation on the eve of the PSD National Council, which is meeting today in Curia?

This is the cunning: with this invitation, Lucas Pires is attempting to be seen in the eyes of the public as having been the first to propose a dialogue, and he is now calmly waiting for the Social Democrats to reject his "irreducible conditions."

In other words, finally: Lucas Pires is attempting to shift responsibility to the PSD for the failure to launch a new AD, a strategy with possible benefits, but which, according to several Christian Democratic [CDS] sectors, might seriously prejudice the candidacy of Freitas do Amaral for presidency of the republic.

POLITICAL

SWEDEN

#### CHRISTIAN PARTY LEADER ALF SVENSSON PROFILED

Stockholm SVENSKA DAGBLADET in Swedish 30 Jun 85 Sec III p 2

[Article by Agneta Lagercrantz]

[Text] He is the weight that tips the scales and he has a phenomenal ability to keep his balance.

Thus he succeeded in charming the Center Party into giving him a free ride into Riksdag--or was it the Center Party that charmed the shirt off the back of KDS [Christian Democratic Party]?

"We didn't even have a shirt on," party leader Alf Svensson is said to have responded, leaving it unclear whether the party could have ever put one on.

At any rate both KDS and the party leader are now holding a national meeting in Norrkoping. The spirit of the Center meeting held there 2 weeks earlier must still linger on.

And this fall Alf Svensson will mingle with Center members of Riksdag in the corridors of Helgeandsholmen, fresh, jovial and ready to stand up and start talking. That will give him a little more time away from the stack of papers on his desk--Alf Svensson has an intense dislike of paperwork along with meetings and physical exercise.

One could call it laziness but that would be untrue. On the other hand the party leader compensates by always writing his own speeches--although his style is better suited for listening to than for reading. But that probably has something to do with his upbringing.

Alf Svensson is not a preacher's son for nothing.

His father, Robert, traveled around and preached to Pentecostal assemblies in Smaland and the family moved around a lot before finally settling down permanently in Granna--"the large port city of Granna," as Alf Svensson calls his beloved home town.

He still lives there in the same house with his parents on the ground floor and himself, his wife Sonja and three children on the second floor. In

this house on Brahegatan in Granna lies a branch of the Christian Democratic Party or perhaps one should say party headquarters, since that is where one can always find the party leader.

#### Housewives

There is so much KDS work to be done there that his wife is a part-time employee of the party although she actually belongs to the group defended so ardently by her husband's party: housewives without outside employment.

This may not be a very large group in Swedish society, a big group of voters that might be tempted to vote for the little party. But the housewives represent Alf Svensson's political disposition: he simply believes something and he continues to do so even if it becomes inconvenient.

However he has learned something over the years. He no longer adheres so rigidly to principles for their own sake. He has heeded the realities of a Sweden where people drink too much and where abortion is legal. If he advocates a stricter abortion law, he does so with the realization that many members of the public may know a lot more about the subject than he does himself.

The same is true of alcohol--he can take an occasional drink and not condemn good friends who sit beside him and drink considerably more. But liquor rationing is part of the party's program and he had to defend it openly in a response to EXPRESSEN this week.

But those who are close to him politically say that inwardly he is no prohibitionist and he is very afraid that KDS might acquire a religious and prohibitionist label.

What distinguishes him is his feeling that his opinions are correct--so correct that he never seems to doubt them for an instant. Such firmness is all very well, said one observer, as long as he is not in charge.

The fact that he is a man of principle but at the same time willing to listen to others is one of his impressive qualities. This is the kind of quality that makes someone a good teacher--the ability to charm as well as to lay down the law.

That is how he treats journalists now and that is how he used to be in his classes in Swedish and history at Huskvarna High School. He taught there until 1973 when he took a leave of absence to become party leader of KDS.

At first he acted primarily out of conviction as a man who was sure of his views but perhaps lacked a logical basis for them.

He concealed that fact skillfully with his intuitive grasp of what a situation called for: the involved man with the captivating statements always came down to earth in a debate.

## Chief Salesman

Now he is surer of himself and the only thing that could make him uncomfortable would be competition for the party leadership. There and perhaps there alone can one discern his sensitivity and desire for power: Alf Svensson wants to be the only leader.

And he is. He is the chief salesman for KDS and in private life he is a member of the Granna Pentecostal Church. He likes to play the saxophone and belongs to a local music group. He has a good singing voice and likes to sing songs like "Where I Wander through Forests, Hills and Valleys."

But Alf Svensson is not that footloose when it comes to where he lives. He does not want to move from Granna. What happens after the election is not yet clear--perhaps he can satisfy his need to travel by commuting between Granna and Stockholm.

Or by being named minister of foreign aid in a future government.

6578

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POLITICAL

SWEDEN

CENTER PARTY, FALLDIN WEAKEST LINKS IN NONSOCIALIST CAMP

Stockholm SVENSKA DAGBLADET in Swedish 1, 2 Jul 85

[Commentary by Ola Gummesson]

[1 Jul 85 p 2]

[Text] Preventing Social Democratic Hegemony

In two articles--one today and one tomorrow--SVENSKA DAGBLADET's editor in chief Ola Gummesson discusses the need for a nonsocialist government alternative.

The most important reason for the problems we have in Sweden today is that our political life has been dominated for so long by a single party. For almost a generation the Social Democrats have been in power and have had the privilege of formulating the problems.

For decade after decade the Social Democrats maintained their grip. Policy was carried out on their terms. The opposition was largely powerless. It is true that the Farmers' League was sometimes able to make a deal with the ruling party and even formed a red-green coalition with it for several years but in principle the Social Democrats had the decisive influence over policy and social development for all those years.

The Social Democratic Party was a strong and single-minded party that knew what it wanted. It wanted to build a welfare state and create security for everyone. A large part of a person's income would have to be "socialized" and "transferred" in order to reach that goal. This was an entirely logical method for a socialist party, of course.

The Social Democrats rejected a more brutal form of socializing the production apparatus. This could have jeopardized their position of power.

Since there were no power shifts, the nonsocialist parties had to reconcile themselves to the opposition role for decade after decade. No new ideas could be tried out in practical policy. The Social Democrats had things their own way on one issue after another for decade after decade.



The Social Democrats built their society, a society that was praised to the skies in every election campaign. There was no admission that a reverse side of the coin started showing up as time went by.

Today this is obvious to everyone. Sweden is a country with extremely high taxes and an extremely high level of public bureaucracy. The welfare structure has started to creak at the seams.

Developments in our country emphasize with great clarity the importance of power changes. It is not good for a country when power is monopolized and when the privilege of formulating political problems and goals is taken over by a single party.

Developments also underline how important it is for the nonsocialist parties to stick together and focus on acquiring power. Without power there will be no new policy.

For most of the years the Social Democrats held government power the nonsocialist parties were divided. They had no stated determination, no deliberate ambition to assume government responsibility as a group.

The Social Democrats, on the other hand, had the very deliberate ambition of reinforcing the nonsocialist split. They became masters of the art of dividing and ruling.

As time went by demands for unity and cooperation became stronger and stronger among nonsocialist voters. Pressure on the parties mounted steadily and in the 1970's it produced some results. A government alternative took shape and in 1976 the goal so ardently desired by many people was achieved: there was a power shift.

Most people remember how things went for the nonsocialist governments. The fact that they were unaccustomed to having government power was a drawback from the start. The political goals were not defined and the problems that had their basis in the Social Democratic era became worse under the nonsocialists. Nuclear power was a divisive issue. Government crises and lengthy sessions prevented the necessary decisions from being made.

Perhaps nonsocialist voters had exaggerated expectations of what would happen if the nonsocialist parties held government power. Disappointment over what actually did happen was so great that many people have still not recovered from it.

And that is one of the Social Democratic Party's trump cards in the present campaign: the memories voters have of the time when the nonsocialists were in power.

The nonsocialist parties must learn from their experiences during the long period of virtual Social Democratic monopoly of power as well as from the things they went through themselves from 1976 to 1982. It is their duty to

convince the voters as forcefully as possible of their determination to rule jointly. No one should be left in any doubt about this. They must also make it clear to the voters that they can rule together and that the policy they intend to pursue is aimed at making changes.

As usual the Social Democrats will devote a lot of campaign time to driving wedges between the nonsocialist parties and pointing to areas where they have different opinions or should have, in the view of the Social Democrats.

For this reason especially it is vitally important that the nonsocialist parties give the voters a clear and straightforward answer to the decisive question of their willingness and ability to form a joint government.

The Social Democrats were able to stay in power for 44 long years before a change took place in 1976. The nonsocialist politicians who fail to see that nothing is more important than preventing a new Social Democratic hegemony are betraying the trust of their voters.

[2 Jul 85 p 2]

[Text] Thorbjorn Falldin Must Speak Out

The Social Democratic forces have been improving their standing in the opinion polls little by little all through the spring. There is now an almost even balance between the blocs. Not even the unexpected increase in interest rates seems to have caused any major problems for the government party.

Olof Palme has made a grandstand play out of the assertions that today Sweden has a political leadership, a government that in contrast to the former nonsocialist government is able to make political decisions and is not afraid to do so.

One can discuss how much Palme's government was really able and willing to do. Many people have come to realize how much has been neglected and how many problems were glossed over by the good market situation in the period 1982-85.

One can criticize the nonsocialist parties for their inability to break through the praise the Social Democrats give themselves. But such criticism is really pointless. For what we witnessed this spring was exactly what I described in my first article. Because they are in the government the Social Democrats are beginning to regain their power to set the agenda. It is the Social Democrats who formulate the problems and their picture of the way things really are.

Please note that in the mid-1970's the Social Democrats had such power over the image of political reality that the "transition years" that were so catastrophic to the Swedish economy and the private business sector could be described in their propaganda as if they had led directly to the "years of prosperity."

Those of us who follow the political debate and the news reports on a daily basis can see how a similar falsification of reality is once more taking shape. It is true that the nonsocialist parties are much more aware of this than they were in the 1970's, but the dilemma remains. Government power goes hand in hand with the ability to dominate political life and lead the political debate.

The party that draws the full consequences of the opportunities provided by government power holds the key to influencing public opinion and long-range social developments.

The Conservatives realized this as early as 1976 and that is one of the reasons why it is clear where the Conservatives stand on the government question: they want a nonsocialist majority government. The Conservatives also consistently refrain from criticizing the other nonsocialist parties.

Bengt Westerberg's view of a nonsocialist government is identical with Ulf Adelsohn's. Westerberg is fighting hard for his party which is still living dangerously. It is a hard job to turn the tide for a party that was as run-down as the Liberal Party. Westerberg undoubtedly realizes that his political future could depend on the nonsocialist parties' chances of assuming government power.

The opposition's weakest link just now is the Center Party. The situation in the Center is illustrated by the fact that the previously undisputed position of Thorbjorn Falldin is now being questioned by many of his own voters.

Falldin is probably facing his hardest election campaign. The question is whether he can recover one more time.

Much depends on the tactics he selects in the campaign. Personally I have become increasingly convinced that the Center leader's only chance is to speak out clearly on the government question. So far Falldin has said no more than that the goal is a nonsocialist majority government which will be formed following a nonsocialist election victory. But whether such a government can be formed will not be determined until after the election. Not until then will they sit down and look into the basis for doing so.

Statements of this kind arouse unpleasant memories in many voters. Is there really a risk that the nonsocialist parties would be unable to work together after a nonsocialist election victory?

Any suggestion in that direction creates uncertainty among the voters who still have clear memories of the problems during the previous nonsocialist government years. The lack of clarity on this point that the voters now associate with the Center and Falldin tends to spread a general air of doubt and uncertainty around the party and its leader.

This is a sensitive point for Thorbjorn Falldin. We who have known him and followed his contributions as a politician for many years know that the

Center leader is a political personality of unusual stature. But that is not the picture given by the media.

I do not think Falldin can continue to allow the uncertainty surrounding the Center's intentions to grow week after week, month after month. If this happens the usual incorrect picture of the Center leader will simply be reinforced--to the detriment of the entire nonsocialist bloc.

During the first period the nonsocialist parties ran the government the nuclear power issue was a permanent cloud on the horizon. In the end it broke up the government that so many people had looked forward to with such high hopes. The second government broke up over the middle parties' settlement with the Social Democrats.

It is very hard to find such a potentially explosive issue today. A new three-party government should have a good chance of staying together and ruling effectively throughout the election period.

If that is a true picture of the way things are it is the imperative duty of the nonsocialist parties to make this clear to the voters. They should not be left to doubt whether there is any real alternative to a Social Democratic government.

It is no less important for the nonsocialist parties to demonstrate their determination and ability to work together after the confusing debate on a coalition government that DAGENS NYHETER has initiated just before the election. The country's biggest morning newspaper now believes, as we all know, that the Social Democrats, who have had a power monopoly for so long, should remain in power even after a nonsocialist election victory and that the wage-earner fund issue should no longer stand in the way of forming a coalition government.

After this strange behavior on DAGENS NYHETER's part it is necessary that the nonsocialist parties and especially Thorbjorn Fallding in person give a clear and straightforward response to the government question.

6578

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POLITICAL

SWEDEN

# PALME SEEN STILL CAPTIVE OF MARXIST WORLD VIEW

Stockholm SVENSKA DAGBLADET in Swedish 30 Jun 85 p 2

[Commentary by Mats Svegfors: "Inside the Prime Minister"]

[Text] "There is a gap running through Swedish politics. It is based on the classic dividing line between labor and capital."

This vulgar Marxist picture of Sweden did not come from a VPK [Left-Communist Party] election pamphlet. Those were Olof Palme's words. He was answering a question about differences in our society.

EXPRESSEN has started a series of interviews with party leaders on its cultural affairs page. The theme of the series is indicated by this heading: "Inside a Party Leader."

And when Anders Ehnmark looked into Olof Palme, that is just what he found inside the prime minister: the 19th-century Marxist picture of the deeply divided class society, dogmatically and crudely superimposed on a modern welfare state.

"The answer to my question was quite clear and repeated in various forms throughout the interview," said Ehnmark.

It is seldom that Olof Palme talks or writes seriously about politics, especially domestic politics. He makes propaganda speeches at party meetings. He conducts debates in Riksdag. Or he answers questions from reporters.

But it is not often that this supposedly intellectual politician is seen in the social debate salons where the intellectual debate is conducted.

And perhaps he has good reasons for this. Anders Ekhmark certainly does not lack talent for intellectualizing the political debate. And if he cannot find more in Olof Palme's mind than what was indicated in the EXPRESSEN interview, Olof Palme should stick to set speeches and short interviews in the future.

At the same time the EXPRESSEN interview inspires respect on one point.



If Olof Palme has such a rigidly simplistic view of the differences in Swedish society, the political dogma he represents on the daily level is honest and sincere.

Palme haters--the expression is Ehnmark's--usually see Palme as an intellectual who is incapable of being honest. But perhaps the very opposite is true.

But the interview is quite alarming, of course. For the picture it gives of Swedish society is grotesque.

It is strange that Palme does not realize that himself.

If the "differences that exist are deep" and lie between "labor and capital" there is no basis for cooperation between private business and the Social Democrats. It is primarily in this context that Olof Palme's Marxist analysis is relevant, not in the relations of the five workers' parties in Riksdag.

But even if Palme lumps together the Conservatives, whom he calls the right wing or the neoliberals, and capital as a common enemy, his analysis is preposterous.

In reality, cooperation with big business has been a characteristic of Social Democrats, at least in the postwar period. Party sympathizers would include the wage-earner funds as part of that tradition.

Olof Palme's class struggle theories seem strange against the background of Social Democratic theory and practice at least in the last few decades.

But it is even worse if one relates his replies in the interview to the current left-wing debate.

Olof Palme makes it clear that he has not done what he claims to have done in the interview with respect to following the most recent debate among Marxists or former Marxists on civil society.

It is true that Palme talked about lying in bed in Teheran and reading Lennart Berntson's and Hakan Arvidsson's book, "Power, Socialism and Democracy."

"Extremely interesting with respect to the civil society. Here were old revolutionaries, budding reformists or what have you launching an attack on the state. A lot to think about there. I remember lying in Teheran and underlining things and putting exclamation marks in the margin," Palme said.

One is forced to ask what the loyal Marxist theoretician who believes in the class struggle found to underline or emphasize in this extremely interesting book.

For in reality it represents an important step in the efforts of the left wing to come to grips with the very concept Palme kept coming back to in the interview, according to Anders Ehnmark, namely the concept of the decisive difference between labor and capital.

In a final chapter in their book, Berntson and Arvidsson wrote: "Policy and decision-making are becoming a professional activity organized by and revolving around the central state apparatus. Against this background it is reasonable to regard corporatism, centralization and bureaucracy as the most dominant features of the modern industrial nations."

And these dominant features led the authors to question the fundamental importance of class differences: "These tendencies toward more autonomy and the superiority of state functions cannot be traced directly to any of society's civil classes, not even the private capitalistic class."

Olof Palme may have been under the influence of the pedantic ayatollah when he read these particular passages.

All in all the discussion of the state and civil society represented an interesting and inspiring opening between the intellectual debates of the left and the right.

It is all but impossible to see how one can find support in the intellectual sources Palme claims to have referred to for the vulgar Marxist view of social differences he expressed.

There have been two reasons for respecting Palme: he has been an international politician and he has been an intellectual politician.

He has destroyed the first reason himself to a large extent due to his overwhelming hatred of the Conservatives. His constant bickering has undermined his international reputation both here and abroad.

The pattern was repeated in the EXPRESSEN interview. But now it is his intellectual reputation he is jeopardizing. The furious attacks were aimed at the same target: the Conservatives and the neoliberals.

Before it was neutrality that was threatened. Now it is employment, welfare and democracy.

Before the Conservatives were threatening the peace. And now war has broken out.

"Europe is a battleground and we are defending Sweden," said Olof Palme to give the proper dimension to his conflict with Ulf Adelsohn.

Our prime minister's image is losing its attractiveness.

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MILITARY

EUROPEAN AFFAIRS

# SPD BUNDESTAG DEPUTY INVESTIGATED FOR BETRAYAL OF SECRETS

Bonn DIE WELT in German 12 Jun 85 p 1

[Article by ms., Bonn: "Did SPD Deputy Betray Secret Bundeswehr Planning?"; Investigations Concerning a Member of the Defense Committee"]

[Text] Chief Federal Prosecutor Rebmann has instituted preliminary proceedings for suspicion of betrayal of state secrets concerning the deputy chairman of the Bundestag defense committee, SPD Deputy Walter Kolbow (41). Bundestag President Jenninger was informed of this step against the parliamentarian by the investigative authorities. What is involved here is the suspicion that Kolbow has given access to journalists to parts of volume B--that is classified "secret"--of the 1985 to 1997 Bundeswehr plan. Kolbow yesterday denied passing on secret material. At the same time he announced that he will relinquish his position as deputy committee chairman for the duration of the investigations.

Security authority circles said yesterday that the federal prosecutor's office scheduled an interrogation of the SPD politician for this week. In investigations that have been running for some time, the federal prosecutor's office is said to have gotten on Kolbow's track, whereby obviously his staff is also being looked at. "Criminal-technical investigations" are said to have been instituted.

According to reports, the case has the following background: On 3 May 1984 the defense committee had discussed the Bundeswehr plan at the defense ministry. Thereafter one copy of the study was missing, a fact that the SPD seized upon to raise charges against Minister Woerner. Three days later, on 8 May, the TV magazine "Report" had quoted from the Bundeswehr plan. On this occasion, three pages are said to have been published which, by themselves, are not to be considered as worthy of being kept secret. However, these pages, it was stated, are part of the comprehensive overall study, which is classified secret. Since there was lack of clarity concerning the person, the investigation was first instituted against "unknown."

Representatives of the Federal Prosecutor's office in Karlsruhe and of the Federal Office of Criminal Investigation had made a search in the Bavarian radio in Munich in December 1984, which broadcasts "Report." A Bundeswehr document classified secret was seized at that time. According to information

of the station, the Federal Prosecutor's Office had not claimed that secrets were betrayed in the "Report" broadcast.

The chief federal prosecutor in his investigations obviously refers to a position of the experts in treason cases in the federal defense ministry. According to these investigations a potential enemy would be able to draw advantages from knowledge of the entire text part B of the Bundeswehr plan. This can result in danger for the external security of the FRG. What other findings finally put Deputy Kolbow, who came into the Bundestag in 1980, under suspicion were kept secret yesterday.

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MILITARY

AUSTRIA

# DEFENSE SPOKESMAN, GOVERNMENT WANT GUIDED MISSILES

Vienna PROFIL in German 17 Jun 85 pp 22-23

[Article by Hubertus Czernin: "Roppert's Call for Missiles--Not Only the Socialist-Party Defense Spokesman, But Also the Federal Government Is in Favor of Procuring Guided Missiles"]

[Text] Alois Roppert had his work cut out for him when his associates heatedly assailed him on Monday last week at the SPOe [Socialist Party of Austria] club conclave in the convention hall of the railways trade union because of his missile ride.

It was not true that he called for guided missiles for the army quite in the way that newspapers had reported, complained the defense spokesman before the assembled club members. To be sure, missiles would be extremely advantageous to the national defense, Roppert said, taking in his sails under the pressure of his associates. But: "We cannot sneak past the international treaty." He claimed that he had said nothing different in Linz 5 days previously.

"He has merely had this dropped into his lap," smilingly says no less than the chairman of the Parliamentary Defense Committee, Norbert Gugerbauer (FPÖe [Austrian Liberal Party]) about Roppert's call for missiles.

It was this liberal who on Wednesday before last had provoked the guided-missile debate at a symposium organized by the Ministry of Education on an intelligent national defense. "A military national defense is credible" according to Gugerbauer in this steelmaking city, "only if one can defend himself."

He said that this was why the FPÖe has also included a passage in its new platform to the effect "that antitank and antiaircraft defense should be equipped with guided missiles" (Gugerbauer).

This demand was concurred in by both Roppert and OeVP [Austrian People's Party] defense spokesman Felix Ermacora. "The two colleagues felt obliged to say that they assumed the army cannot get along without guided weapons," remembers Gugerbauer. To be sure, Roppert voiced the qualification that a reinterpretation alone of the international treaty was not enough for going



ahead on furnishing the armed forces with missiles. Here, he said, the republic certainly must enter into negotiations with the signatory powers.

Gugerbauer: "The interpretation that the international treaty must be newly negotiated does not hold water." And: "All the defense experts have always been in favor of guided weapons. Roppert certainly has not been alone in his stand. From Heinz Fischer to Dallinger, everybody in the cabinet has concurred in this."

The subdued allusion refers to the national-defense plan which had been given the blessings of the cabinet last June after 9 years of preliminary studies.

There are two versions of the national-defense plan. An official one, which is open to the general public. And a confidential one which had been presented to the Federal Government in the previous year. In overall charge of the planning games on the political side were ex-defense-spokesmen Walter Mondl (SPÖ) and Heinrich Neisser (ÖVP) as well as Ermacora and the two former FPÖ deputies Gustav Zeillinger and Helmut Josseck.

Just as the defense spokesmen had done, guided weapons are called for as well in the national-defense plan settled on by the Federal Government. Thus, for example, it says on page 102 concerning antiaircraft defense: "As a complement to this, light one-man air-defense guided missiles are desirable because of their high probability of scoring hits. In order to make it possible to engage air targets at intermediate and higher altitudes as a complement to interceptor aircraft--above all in the neutrality situation--the procurement of ground-to-air guided weapons of an appropriate power is desirable at a later date."

The desideratum on page 103, in Paragraph 6.45 on the air forces, is of the same tenor.

In the published national-defense plan it is said: "Interceptor aircraft--at least in limited numbers--are indispensable to the small neutral state for the protection of its air sovereignty. For the purpose of supporting the ground forces by fire, an improvement in the weaponry of all jet aircraft is desirable."

In the confidential version, the language becomes stronger: "Interceptor aircraft--at least in limited numbers--are indispensable to the small neutral state for the protection of its air sovereignty. Their effective employment, above all also where visibility is impeded by weather conditions and at night, can be achieved only by an arming with air-to-air guided missiles. For the purpose of supporting ground forces by fire, an improvement in the weaponry of all jet aircraft with bombs and air-to-ground guided weapons is desirable."

Small wonder that with such documents our national defenders fail to see why missile demands such as were last made by the three defense spokesmen cause a furor each time. A colonel in the procurement office of the defense ministry: "I do not understand the fuss. After all, guided weapons have been in our depots for a long time now anyway."

MILITARY

AUSTRIA

#### LEGAL, ECONOMIC PROBLEMS HINDER ARMS EXPORTS

Vienna PROFIL in German 17 Jun 85 pp 25-28

[Article by O. Lahodynsky and H. Czernin: "Rust Replaces Arms Production"]

[Text] Steyr's Morocco flop makes it clear: the federal armed forces don't need the domestic arms industry--the arms industry needs the armed forces.

Herewith an excerpt from the postscript of a letter to the Vienna police headquarters from student and Steyr minority stockholder Max Deml, in which he requests permission for a two-person demonstration in front of Steyr's corporate offices in downtown Vienna during the 25 June stockholders' meeting: "We request that you make sure that the pistol carried by Chairman Malzacher is not loaded, so as to avoid any precipitous action in connection with requests for his resignation."

In case the police officials comply with this unusual request, Interior Minister Karl Blecha will likely retain his nickname "Steyr Enemy Number One" forever.

For several days now various media sources have kept up a hue and cry to the effect that the hoped-for export of 50 Kuerassier tanks to the Kingdom of Morocco could fall apart only by a veto on the part of "Polisario Charlie." Last Tuesday, People's Party Secretary General Michael Graff, true to form, taunted that jobs are too important to be risked for a "Blecha-type socialist ideological circus."

But only one day later, on the occasion of an urgent People's Party inquiry in the parliament, "concerning the confusion about tank exports and violations of the law by the government," Graff as well as Steyr director and Creditanstalt chief Hannes Androsch found out that the minister of the interior had originally acted in close coordination with the foreign affairs and chancellor's offices concerning the export permit. Said former Chancellor Bruno Kreisky: "If anyone pretends that this is not a crisis zone, he is manipulating the matter. All you have to do is read the law and you will see that the 'ideology' reproach is false. It is one of the usual fabrications." He continued: "As to the people involved, all I can say is: be careful about the truth of your statements."

Graff's own defense experts could have assured him that the Federal Government could have hardly decided differently in the Morocco case. Says one rightwing legal and defense expert: "The law is unequivocal. Nothing doing with Morocco at this time."

A few People's Party delegates joined the attack on the tanks, which had been started by party chairman Alois Mock, against their better judgment. Said one of the angry caucus members: "Once again the party chairman has gone off by himself. The only reason we went along with him was finally to demonstrate our unanimity."

As a result it was not ideologist Blecha, but Foreign Affairs Minister Leopold Gratz who ended up in the vortex of Wednesday's National Council debate. Gratz was the one who, for reasons of either naivete or vacillation, had pushed the Morocco business into the political arena. Even his most loyal comrades can't keep up with "Poldi" any more: "One day it's yes, the next day it's no--it's a tragedy about Gratz."

In effect, the foreign minister fell into the tank trap like a rank amateur. When early last summer the Steyr managers went to the chancellor's office with the Morocco matter, they were politely shown the door. At the time, the responsible individual was Erwin Lanc: "I gave them a clear disapproval."

In November, Steyr boss Michael Malzacher launched his second trial balloon; Leopold Gratz lent a friendly ear. He claims that before Christmas he had conferred with both a Polisario representative and the Moroccan ambassador and that both had stated that they were willing to "resolve the Western Sahara conflict by peaceful means on the basis of the UN resolution." So says Gratz.

Thus on 2 January 1985 the minister was able to inform the Steyr manager in writing "that there is hope for a general calming of the Western Sahara conflict and, if so, there is a possibility of positive consideration by the foreign ministry of any export application for Steyr tank destroyers to Morocco" (excerpt from Sinowatz's report to the parliament).

In reply, gunfire erupted once more in the combat actions over the disputed desert area. On 14 February Gratz was forced to disapprove the export application.

When 2 months later some calm had returned to the Western Sahara, the foreign minister made another 180 degree turn. On 12 April his office decided that the export "did not violate applicable laws after all."

The foreign ministry people do not appear to have comprehended the text of the weapons export law. It states that export must not be permitted if in the area concerned "there is armed conflict, that armed conflict threatens or if other dangerous tensions exist."

Small wonder that the Steyr executives managed to make good public relations use of Gratz's vacillation. Among other statements, the fact was mentioned (and camouflaged as an indiscretion by the ministry of the interior) that after all the government had authorized tank exports to Libya also.

In the final analysis, looking back to 1981 and 1982 when Steyr applied first for export permits for 210 and then for 420 tanks, the fault lies with the Upper Austrian enterprise itself. Says Kreisky: "The Steyr works received masses of permits and were unable to conclude the deals. I am a living witness to this fact. The Libyans certainly made great efforts to look into the situation, but finally said, no, we can't use this stuff. That is the true situation."

Since 1977 Steyr has requested more than 3,000 export permits for tank destroyers and infantry tanks. The result in 1983 and 1984, as reported by Karl Blecha to the Ministerial Council on 22 April: in 1983 Steyr sold a total of 25 tanks; last year, all of 2 (two). In Kreisky's opinion, "arms export is the worst business in the world. Why? Whenever these weapons are sold and are needed, we are prevented from delivering them. And when they are not needed, they are rusting away in some warehouses."

For many years Steyr boss Michael Malzacher had had high hopes for "big deals" specifically in military applications, which would have served to subsidize the money-losing civilian lines.

Today, the exact reverse is true: civilian products, except for buses and bicycles, are almost profitable. And the 100 Kuerassier tanks in dead storage are "the millstone around the neck of our enterprise," according to Steyr management advisor Hermann Leithenmayr.

Just this month another 30 workers were fired in the Simmering tank works. In place of the 245 tank builders employed there in 1980, a bare 50 are engaged in cleaning of the rust. Works manager Karl Reutterer complains that no new tanks have been put together there in over 2 years. The most recent financial report hides the unsold tanks under "finished goods and merchandise" at a value of 2.5 billion Schillings. Annual interest for tank production credits alone is said to amount to some 300 million Schillings.

Rifle production in Steyr is far from satisfactory too: during the last 3 years one-half of the workers, mostly female, have been dismissed.

Liberal Party defense spokesman Norbert Gugerbauer finds that "Steyr is worried about the survival capability of some of its parts. No buyers are in sight far and wide."

During the 1970's Steyr-Daimler-Puch had made a grand entry into the international arms business. Steyr boss Malzacher proudly announced that "in 1904, we built the first tracked vehicle. In World War II, 18,000 workers produced the Tiger tank. We have always been active in the military area, because we need it."

Arms production soon accounted for 25 percent of total sales. The first export of 48 Kuerassier tanks to Tunisia was brokered by arms dealer and former bordello owner Alois Weichselbaumer. In 1977 he had a run-in with Defense Minister Luetgendorf concerning delivery of 600 Steyr sharpshooter rifles and 400,000 rounds of ammunition to Syria. Other arms dealers, such as the Greek

Basil Tsakos, jumped into the breach. However, in 1978 Steyr still delivered 120 Kuerassier tanks to Morocco, 53 tanks to Argentina, 34 to Bolivia and lots of rifles to the Near East.

After a wave of protest, Steyr was prevented from selling tanks to Chile in 1980. Even before the Falklands war, Argentina ordered 57 "Coraceros" in 1981, but the military regime was unable to pay. As had been the case in the Bolivia and Morocco deals, the Control Bank, which had provided the export guaranty, had to come up with the missing funds out of taxes.

Despite many approved export applications, Steyr was unable to sell any more tracked vehicles except for infantry tanks for Greece and Nigeria. The unsaleable tanks in Simmering started to rust.

Small wonder then that Steyr director and Creditanstalt boss Hannes Androsch demanded a guaranteed purchase of at least 30 tanks per year for the Federal army.

However, Defense Minister Frischenschlager only grudgingly bought 96 Kuerassiers in 1983, for which there was neither room in the barracks nor personnel to operate them. Forty-eight of those tanks were still with Steyr this year in "cost-free storage."

The theory tirelessly advanced by Sinowatz and Mock that the Federal armed forces require their own domestic arms production, has turned into the exact reverse: the arms producers need the armed forces much more than the other way around.

Of the approximately 200 domestic enterprises which deal with the armed forces, about 20 producers of military hardware compete for bigger contracts out of the 4 billion Schilling annual arms budget, since two-thirds of it are spent in the country.

Despite international requests for bids and the "Oenorm 2050," preference is given to domestic firms as long as their prices are not unreasonable. The motto of the defense ministry is "The best bidder is not necessarily the lowest bidder."

Austrian armed forces orders are indispensable for getting export orders, as Reserve Major General Mario Duic puts it, "to serve as an assurance of quality and serve as points of persuasion for the dictators, princes and sheikhs."

The Federal armed forces thus fund the development of new weapons and equipment, help in testing them and furnish officers to serve as consultants to such organizations as Steyr and VOEST.

Provision is made for failures too; the prototype of a wheeled armored vehicle by OeAF [Austrian Automobile Factory]-Graef & Stift, financed at a cost of millions by the armed forces, turned out to be useless.

"We will not have any products forced down our throats which do not fit in with our defense concept," says the new director of the Office for Defense



Technology, Major General Friedrich Dechant. "Obviously, the firms try to sell those products also which have been developed without orders from us."

The most recent example of this is the new Steyr wheeled armored vehicle, which was opposed by senior officers. "Such vehicles make sense only for armies which have reconnaissance troops with a combat mission," declares a spokesman for the defense ministry. "A cross-country vehicle is perfectly satisfactory for us."

However, Steyr boss Malzacher hopes to be able to sell his new wheeled armored vehicles as "medical service vehicles."

The VOEST organization also wants to do business with the army with its 155 mm GHN-45 howitzer. With special base bleed ammunition its range is 39 km, which is of course not permissible under the arms neutrality treaty.

"This howitzer does not fit into our militia concept and is not provided for in the table of equipment"--defense technologist Dechant denies any rumors according to which the Federal army is being subjected to gentle pressure to buy the guns.

The state-owned VOEST, which entered the defense business only a few years ago and acquired the Hirtenberg ammunition factory, has problems on the world market too these days. Two hundred GHN-45 howitzers were sold to Jordan at a price of 10 million Schillings each; according to journal reports, several guns were immediately resold to Iraq. VOEST has since been desperately trying to get a follow-on contract with India.

Short working shifts had to be introduced on a temporary basis in 1983 in the VOEST gun factory in Liezen.

The annual report by the minister of the interior to the Council of Ministers--which the foreign affairs council has asked for also, but so far in vain--about the "export of war materiel," broken down by types of materiel and regions, provides a drastic illustration of reduced exports by domestic arms manufacturers. In 1983, only 25 "war terrain vehicles" (tanks) were exported, 19 of them to Central Africa; 20,000 war weapons (rifles) went primarily to the Near East; 33 million rounds of ammunition were fairly evenly distributed all over the world."

In 1984 there was an increase only in "weapons" (guns, mortars, howitzers): a total of 270, which probably includes the VOEST guns for Jordan. Only two tanks were exported in 1984. Tank sales to Greece and Nigeria, reported by Steyr boss Malzacher for the previous year, did not show up in the statistics for some reason.

The dilemma for domestic arms manufacturers has remained the same for several years: their markets consist of only those countries to whom nobody else wants to sell arms. Such Third World states, some of them benighted dictatorships, usually do not have sufficient hard currency. They buy arms on credit and frequently fall behind in their payments. Only the oil countries pay

cash, but choose only the best available items on the market. Thus Saudi Arabia prefers the FRG's "Leopard" to the technologically less advanced "Kuerassier."

"The upward trend in the defense sector has long since flattened out," say Peter Lock from the Hamburg University working group on Arms and Underdevelopment: "The market for intermediate technologies is just about nonexistent." In recent years some Third World countries such as Brazil, Pakistan, Singapore, South Korea and Taiwan have built their own medium-technology arms factories, for such things as rifles, light armored vehicles, even small aircraft. The Brazilian arms manufacturer Engesa sells small armored vehicles at dumping prices and sells to Iraq, among others.

Cash deals in international defense transactions are becoming increasingly rare, and barter contracts such as oil for weapons are becoming more frequent, as are the delayed payments of many arms customers. Says Lock: "One becomes an excellent candidate for blackmail." For example: Iraq owes France a debt of several billion Francs. The French still had to deliver new arms, or else the Iraqis would have completely forgotten about their old debts.

The only way out for many defense manufacturers was to arrange for weapons production in other countries with significant participation by the partner.

Steyr-Daimler-Puch too, having built a subsidiary factory in Greece, constructed an armor factory for the African market in Nigeria, which however has not started operations to date because of the economic crisis.

Steyr recently landed a contract for a complete rifle factory in Malaysia. The fact that the new factories will shortly compete with domestic production facilities on the world market is acceptable: at least there were profits in facilities construction.

Defense materiel rapidly becomes obsolete anyway. The Steyr Kuerassier tank, first produced in 1971, is completely outclassed by newer tanks such as the Soviet T 72 or the Leopard. Its combat effectiveness has dropped alarmingly in the eyes of Austrian generals also.

Steyr could see only two possibilities: to retrofit the Kuerassier with a new gun and turret (an expensive proposition) or to develop a new type of ammunition.

Within 3 years VOEST, together with Tyrol's Plansee Works in their jointly owned "Ennstaler Metallwerke" subsidiary, developed a new generation of tank ammunition: the so-called "KE" (kinetic energy) or arrow ammunition. A heavy-metal bolt-type projectile leaves the barrel at a velocity of 1,500 meters/sec, replacing the old, barely effective, shaped charge grenade. It can penetrate steel armor of up to 350 mm thickness at distances of up to 1 km. The old shaped charge grenades were ineffective against thick steel-ceramic armor.

Defense technology chief Dechant, who was lent by the armed forces to VOEST for 2 years to participate in the 60 million Schilling ammunition project, exults: "This makes the Kuerassier once again a combat effective tank for the next 10 years. Rugged and reliable like an old Volkswagen."

A follow-on model for the Kuerassier tank is nevertheless being talked about. Dechant estimates the development costs alone to be about 300 million Schillings.

"We in the private sector are financing the deficits of the government-owned enterprises," complains Alfons Ruhland, head of the Kufstein VOERE enterprise. Since export of police rifles such as the "American 180" has fallen off, he has retreated to machine tool production. In the last 5 years, military sales have dropped from 90 to 20 percent of total sales of 50 million Schillings. "Look here--in contrast to the big ones, I am working without a safety net. In military business the markets keep shrinking while direct and indirect expenses keep increasing. What way is there left to make a profit?"

Bruno Kreisky is aware of this too. "I was always of the opinion that we could do without red-white-red [Austrian] tank production." He concludes: "We must get away from production and into something different. Management should be capable of making this happen."

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MILITARY

AUSTRIA

## PROBLEMS IN STRATEGIC RESERVES OF RAW MATERIALS

Vienna DIE PRESSE in German 8-9 Jun 85 p 3

[Article by Wolfgang Immerschitt: "Emergency Stocks in Permanent Crisis--Austria's National Defense Goes Beyond More Than the Wingspread of a Draken Fighter"]

[Text] Salzburg--When Defense Minister Friedhelm Frischenschlager gave permission for publication of the National Defense Plan, he expected "widespread discussions" about its contents. The fact that the exchange of opinions would not extend beyond the wingspread of a Saab Draken could not have been apparent to him last fall.

There is in fact much in the National Defense Plan which would merit discussion. Among other things, the economy of the national defense is prominently featured in it. The bottom line of it is hardly reassuring. Even by making the most generous allowances, it becomes apparent that strategic reserve inventories are in a state of permanent crisis.

Economic measures have been a component of the national defense since 1975. At that time the National Council unanimously voted for the "Defense Doctrine," which stated that the military national defense should be expanded to include civil, economic and intellectual components. The parliamentary fractions desired that "crisis management" should provide for a variety of "threats" already in peacetime.

The Manual of Comprehensive National Defense [ULV] made a listing of the issues involved: avoiding a dependence on trade partners for strategic materials; using indigenous resources and, in case of shortages, the establishment of appropriate reserves.

It is obvious that a one-sided alignment in Austrian foreign trade--especially toward the European Community countries--would be welcome, especially from the standpoint of integration policy; but it might create problems from the standpoint of security policy. One good lesson in this context was the strike of metal workers in the FRG in the spring of 1984, which had a direct impact on our domestic economy.

Nor can we ignore the fact that, on closer examination of our export merchandise, "there are some unresolved structural problems in the Austrian export

trade." That at least was what the official 1983 Foreign Policy Report stated. The National Defense Plan contains this quotation: "Most products manufactured in Austria are inappropriate for a highly developed economy." For this reason, the authors of the defense white paper recommend a number of measures to be taken: cooperating with vendor nations, signing long-term import agreements and a spread among import countries and vendors. As to exports, the recommendation is made that Austria offer "human capital and research-intensive quality products on the world market."

Crisis preparation also includes the expansion and use of domestic resources and--in areas where raw materials are lacking in necessary quantities--appropriate inventory management. The unequivocal statement is made that a system for procurement and distribution of vital goods "exists in some areas; in others it is partially or totally lacking."

The best solution for the supply problem exists for food products. For the most part, production exceeds domestic needs. The defense experts estimate that the degree of self-sufficiency amounts to 80 to 90 percent on the average. With an appropriate change in consumer habits even a 20 percent reduction of farming acreage yield and 10 percent for pasture areas, sufficient food supplies would still reach the population.

However, there is a problem with agricultural supplies. Shortages threaten in fertilizer, seed, fuel and feed stuffs which could not be solved by substitution. In 1982, Leo Slezak urged in his book "How Secure Is Austria?" that a national reserve in agricultural operating supplies be established. The National Defense Plan urges the establishment of a food supply plan which should be a cooperative effort between the federal and provincial governments.

The availability of energy appears to be critical. Austrian energy sources currently supply one-third of requirements. However, according to calculations by the International Energy Agency, domestic production of oil, natural gas and coal will be reduced by one-third by 1995. The Institute of Economic Research believes that within 10 years the net import curve will have risen from 62 to 70 percent.

Contrary to the situation existing prior to the first energy crisis (1973/4), some emergency stocks are on hand. The requirements for 100 days should be covered by 2.7 million tons of oil and petroleum products without any additional imports. However, the National Defense Plan expresses dissatisfaction with the fact that the reserves are for the most part not stored in designated emergency storage depots and that the tanks are located in too much of a regional concentration.

No similar reserves are available for natural gas and oil. Stocks on hand are sufficient merely to take care of seasonal fluctuations. The establishment of an emergency supply plan is only in the planning stage. Energy conservation measures are still in a rudimentary stage also.



The Ministry of Trade published a basic study on the supply of raw materials in the early 1980's. It showed that for 40 raw materials which are urgently needed for industrial processing, the supply is "critical"; 12 raw and basic materials were even categorized as being "especially critical." The study gave consideration to the degree of self-sufficiency, general market conditions, transport routes, political stability of the vendor countries and worldwide reserves as a whole.

For crisis prevention, the authors of the National Defense Plan urge an intensified search for new storage depots in the country, expanded recycling facilities and conservation of resources. The authors of the plan see merit in the efforts of Austrian enterprises to participate in raw materials production and processing in other countries. In addition, they see a need for long-term import agreements.

But the white paper points out deficiencies not only in the materials area. Considerable deficiencies exist also in the organizational and legal areas. The authors claim a lack of empirical data bases, which should be created through the cooperation of the Federal Chancellor's office and the Federal Chamber of Commerce in establishing an information and documentation system for the benefit of the comprehensive national defense.

The document also deplores the fact that the federal constitution does not provide for responsible agencies. Contrary to the situation in Switzerland or in Sweden, which have separate organizational units to deal with matters affecting the economic aspects of the national defense, responsibilities for such matters in Austria are split up between the federal and provincial governments.

In the preface to the National Defense Plan there is a statement to the effect that the document is primarily composed of items which are necessary and desirable. To make them real and available for crisis management purposes will require a lot of work.

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MILITARY

FEDERAL REPUBLIC OF GERMANY

BUNDESWEHR 'WHITE BOOK' OPTIMISTIC ON MANPOWER, READINESS

Frankfurt/Main FRANKFURTER ALLGEMEINE in German 20 Jun 85 pp 1, 2

[Article by fy: "Woerner: Bundeswehr Is Better Than Before; This Legislative Period to Decide on Extending Compulsory Military Service; New White Book"]

[Text] The FRG government will introduce the bill in the parliamentary decision-making process during this legislative period by which the basic military service is to be extended from the present 15 months to 18 months starting in 1989. Defense Minister Woerner made this announcement on Wednesday in Bonn when he submitted the latest white book of his ministry to the public. It deals with the situation and development which the Bundeswehr is to take during the next decade. The white book, which was submitted on Wednesday, can be regarded as the second part of the overall presentation of the FRG security policy and defense efforts. The first part, which appeared as a white book already in 1983, concentrated in great detail on the security policy which at that time appeared to be of overriding interest in view of the discussion on counterarming. The present part places emphasis on the Bundeswehr itself, its performance and its problems, but also contains a comprehensive representation of the security policy of the FRG government and the threat situation caused by the Warsaw Pact from which the tasks of the Bundeswehr as well as its planning for the next decade are derived.

Defense Minister Woerner said concerning the situation of the Bundeswehr, that it is in a better condition today "than it has been for a long time." He said that this applies to training and equipment as well as to the morale of its soldiers. The present generation of draftees is unusually willing and combat-ready, in Woerner's judgment. At the same time, he also pointed out the growing quality of the NCO corps and the high quality of the officer corps. The inspector general mentioned that it was possible to cut the deficit of NCOs, which has been its big problem since the establishment of the Bundeswehr, in half. If this development continues, the Bundeswehr for the first time will have the number of NCOs that it actually needs within two years. This clearly affects the combat readiness and combat effectiveness of the Bundeswehr even now. The morale has considerably improved and the readiness for extended enlistment is consistently high. The Bundeswehr also finds recognition and support among the people. Recent polls showed an increasing prestige of the Bundeswehr and growing confidence in it.

The minister pointed out that, because of the new planning principles prepared under his responsibility, secure prospects until far into the 90's have been created. Restrictions on practice have been rescinded. Fuel and practice ammunition are adequately available. The number of long-term soldiers has increased by 11,500. The improved reservists concept, by which it has become possible to have 360,000 reservists practice annually, bears first fruits. There have also been improvements in the social area. The minister mentioned the increase in military pay, doubling of the maximum amounts for additional instruction of the children of soldiers families following the occupationally caused move to another FRG Land--and that means to another curriculum--and the granting of a second travel allowance for married recipients of separation allowances.

"Of course," Minister Woerner said, there are also still problems that cause worries. He mentioned the useless work in everyday life of the troops which continues to exist "though with a declining trend," bureaucratization and especially the social security of the short-service volunteers leaving military service. It is not satisfactory. It is also depressing that many draftees leave the Bundeswehr without any prospect for a job. The Bundeswehr exerts increased efforts to be of help in obtaining a job. Woerner used the occasion to appeal to employers to give priority in hiring to young draftees who have performed their Bundeswehr service.

Concerning the security-policy situation, Woerner said the threat from the Warsaw Pact remains undiminished even though it becomes increasingly difficult to make this apparent to the young generation in view of four decades of peace. By threat he did not refer to the danger of war but to political pressure which, in final analysis, can restrict one's own freedom of action; threat or blackmail based on superior military strength. The facts speak an unmistakable language, something the white book is trying to convey. Therefore it is indispensable to maintain the operational strength of the Bundeswehr. Curtailments in its tasks are not justifiable.

The minister gave the assurance that the statements of the white book on the U.S. SDI program are supported by the entire government. "You can assume that the foreign minister, too, supports the statements of the white book word for word," Woerner said in response to questions on this subject. The white book says on this subject that from the view of the FRG government the U.S. research program is "justified and militarily necessary," it is also in the security interest of the West as a whole. Moreover, it is compatible with the ABM treaty. "There will not be and there must not be" any automatic transition from research and development to stationing, the white book further states. As long as there is no better possibility for preventing war than the strategy of flexible response, it must retain its validity within NATO. The fact that the FRG government does not look upon SDI with a clearly positive attitude is demonstrated by the many conditions with which a cautiously positive assessment is connected but also the surprisingly blunt sentence: "The U.S. Strategic Defense Initiative holds opportunities for NATO but also risks. The alliance is faced with the task of warding off the risks of Soviet attempts to split the alliance and of purposefully utilizing the prevailing opportunities by cohesion and solidarity of all allies and by increased exercising of influence of the European alliance partners.

12356

CSO: 3620/414

POLITICAL

PORTUGAL

#### PRD OFFICIALS APPOINTED, STRATEGY DEFINED

Lisbon DIARIO DE NOTICIAS in Portuguese 17 Jun 85 p 2

[Article by Maria Guiomar Lima]

[Excerpts] The Democratic Renewal Party [PRD] has elected new executive bodies and approved a motion on overall strategy that establishes guidelines for action up to the first quarter of 1986, which is when "it may add a new and decisive element--Ramalho Eanes--to its strategy." Until then, Herminio Martinho will continue to preside over the Executive Committee, Henrique de Barros will remain at the head of the Convention Steering Committee, and Vasco da Gama Fernandes will continue to head the National Council on Jurisdiction. Adelino da Palma Carlos will be a member of the National Advisory Council.

Also elected to the National Executive Committee were Ana Goncalves, Antonio Marques, Jr., Antonio Feu, Antonio Bandeira Bento, Carlos Lilaia, Jose Carlos de Vasconcelos, Jose Medeiros Ferreira, Jose Santos, Paulo Guedes de Campos, and Vasco Marques.

Besides Henrique de Barros, the members of the Convention Steering Committee are Roberto Amaral, Antonio Rodrigues Costa, Olimpio de Matos, and Maria Joao Cavilhas.

The National Council has 39 elected members in addition to others who are members by virtue of their office. The National Council on Jurisdiction is headed by Vasco da Gama Fernandes, as we already said, and has six other members. The Supervisory Committee is headed by Joao Figueiredo and consists of Daniel Amaral, Braga Barroso, Couto Moreira, Vitor Avila, Lopes Vieira, and Fausto Lima.

Citing reasons of health, Adelino da Palma Carlos declined the invitation to preside over the PRD Executive Committee, but he is a member of the National Advisory Council along with Joao Botequilha, Manuel Caetano, Jose Rabaca, and Luis Marques do Carmo.

Under the terms of article 28 of the PRD's bylaws, that council is an advisory body which expresses its opinion concerning the party's orientation as requested by the National Executive Committee. It consists of no fewer than 5 and no more than 15 members: "outstanding figures in national life who may or may not be members of the party."

## "Short-Term Outlook"

Of the 14 motions presented, those having reference to overall strategy or elections were replaced by a single motion submitted by the provisional National Executive Committee and approved by the delegates.

It is a lengthy 19-page text entitled "Motion on Overall Strategy." Divided into sections, it defines "the PRD's short-term strategic outlook," the current party-political situation, and the main political issues.

In the section on conditions and guiding principles for action, there is a discussion concerning "a new relationship with the members--a new way of being a party": the establishment and orientation of the PRD, participatory drafting of the party program, and a new mode of presence and action. Also defined is the strategy for the upcoming elections (legislative, local, and presidential), and there is one section entitled "The Final Phase of the President's Term of Office."

The document says: "The PRD intends to support, in the manner dictated by circumstances, and its executive bodies will evaluate, the action of the president of the republic during the final 6 months of his current term of office."

It recalls the restrictions imposed by the constitutional revision of 1982 and says that they "may place the president of the republic and the very functioning of the democratic institutions in a situation of dramatic political impasse if the Assembly of the Republic and the government do not reach agreement after 14 July."

## Immediate Legal Recognition

The newly elected Executive Committee has the job of obtaining "immediate legal recognition of the PRD" so that the party can participate in the upcoming elections." It must also promote basic work--"recruit militants and establish dialogue with other entities found to be in close agreement with its objectives"--but the legislative elections occupy a prominent position in the PRD's field of activity. The text as approved says that they, along with the local elections, are unquestionably the most important.

The motion also states, however, that the PRD "should not nominate any candidate in the presidential election." "Like the citizens they are," its members are free to support any candidate. As a group, the PRD may support "a candidate situated inside or outside its political area who does not support values, principles, and objectives incompatible with its own."

11798

CSO: 3542/202



MILITARY

PORTUGAL

#### DETAILS ON JOINT MANEUVERS WITH SPAIN

Lisbon DIARIO DE NOTICIAS in Portuguese 19 Jun 85 p 4

[Excerpt] Portuguese and Spanish army forces specializing in guerrilla and antiguerrilla combat will be participating through the 21st in the joint "Comangoe 85" exercise now underway in the area of the Estrela Mountains.

With cooperation from the Portuguese Air Force, about 750 men from the Commando Regiment and the Special Operations Group are engaged in the maneuvers under the command of Air Force Gen Fausto Marques, commander of Portugal's Specialized Forces Brigade.

The "Comangoe 85" exercise is of value "to both Iberian countries as a means of improving their forces," emphasized Gen Firmino Miguel, deputy chief of the Army General Staff, while the director of the Spanish Army's Operations Department, Gen Jose Sanchez, stressed that the maneuvers have been demonstrating that "the training level of the Portuguese commandos is very high."

According to the scenario for "Comangoe 85," the conventional forces defending the mainland territory have collapsed, and the territory has been "occupied" by forces from the "Orange bloc"--the result of an intensification of the crisis in the Middle East, one of whose effects was military intervention by the powers in the two blocs: "Blue" and "Orange."

In an enveloping maneuver carried out from the south following the "fall" of the Balearic Islands, the "Orange bloc," supported from North Africa, launched a strong offensive aimed at occupying the Iberian Peninsula and controlling the ports on the Atlantic. For that purpose, the invading forces landed in the Cartagena-Alicante-Valencia and Huelva-Cadiz regions and then advanced rapidly. After receiving reinforcements of men and materiel, they continued their "attack" and occupied "a vast area in the northern territory of the mainland."

Being unable to resist using conventional forces, the High Command decided to mobilize and organize "active resistance" using the elements trained for that type of combat and concentrating them in the Azores and Madeira.

Since the "Orange forces" occupy and control areas that include both Portuguese and Spanish territory, it has been decided that the effectives to be used in the frontier areas will include units from both countries for joint action.

According to the previously established scenario, the "Orange forces" have gained air superiority over the mainland territory, while the "Blue forces" have kept the upper hand in the North Atlantic. For its part, the civilian population is hostile toward the occupiers, especially north of the Tagus River.

11798

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MILITARY

SWEDEN

## HELICOPTER SERVICING PROBLEMS REPORTEDLY HURT ANTISUB EFFORT

### Navy Helicopters' Engine Problems

Stockholm SVENSKA DAGBLADET in Swedish 20 Jun 85 p 3

[Article by Erik Liden: "Worn Out Helicopter Engines Hinder Navy's Antisubmarine Effort"]

[Text] At present the navy can use its heavy helicopters for antisubmarine work only to a very limited extent because of engine problems. The engines are so old that they must be replaced at a cost of 225-250 million kronor, money which is not available today.

The Defense Staff confirms that the engine problem has interfered with operational readiness during the entire spring. The use of the helicopters has been limited because the risk of failure of one of the two engines limits both range and endurance.

The restrictions state that the helicopters can not carry antisubmarine equipment for certain tasks. In order to utilize the expensive equipment parts of it have been placed on navy ships. That includes, among other things, the helicopters' depth charges. In the event of a submarine alert that increases the departure time considerably if sonar or depth charge equipped ships are not in the immediate area. Helicopters which normally can remain up for more than 2 hours now have a greatly reduced action time.

### Age Problem

The engine problems were discovered last winter when the new advanced regulator systems were installed in 1984. Cracks in the engine turbines indicated an age problem, which after almost 20 years of use simply requires changing the engines--something which costs almost 30 million kronor per helicopter.

Also the air force's heavy helicopters are limited by restrictions on air rescue missions. One measure taken has been rebasing in order to shorten flying times.

It would require 225-250 million kronor to change the engines on 7 or 8 heavy helicopters in order to restore their antisubmarine capability. Neither Supreme Commander Lennart Ljung nor Chief of Naval Operations Bengt Schuback have made any formal representations about this money in the Defense Department.

#### Known Problem

The engine problem is well known in the department, which will also shortly take a position on whether the navy will order four new coastal corvettes from Karlskrona Shipyard for a total of almost a billion kronor. The coastal corvettes will be included in the economic plans only if nothing unforeseen like changing the engines in the helicopters crops up.

In the present situation the Supreme Commander can ask the navy to wait with one coastal corvette in order to make room for the engine changes. He can also, out of concern for the overall antisubmarine capability, be forced to go into the air force and army budgets to get funds for both renewed helicopters and four new coastal corvettes.

#### Modifications

A total of 20 heavy helicopters type HKP-4 are in the defense forces. It is intended that 14 belong to the navy for antisubmarine work while the air force, in addition to 6 HKP-4's, will purchase new rescue helicopters. New equipment for antisubmarine work and navigation is supplied continuously and is installed in connection with modification of the entire helicopter at the SAS workshops at Arlanda. This work will be concluded in 1986.

#### Charges Anger Ground Crews

Stockholm DAGENS NYHETER in Swedish 21 Jun 85 p X 8

[Article by Maj Noren, DN's Lulea correspondent, datelined Boden: "Helicopter Technicians Unhappy--Seek Jobs in Protest"]

[Text] This week 20 of the 50 helicopter technicians at the Army Aviation Battalion AF-1 in Boden are looking for new jobs through ads in the local press. The action, which is a protest against "the unilateral investment in helicopter pilots," came as a surprise to the leadership of AF-1 since negotiations for new wages had just begun.

According to certain information the ad action is supported by all 50 technicians at the army aviation battalion in Boden. This puts helicopter defense of northern Sweden in a serious crisis. A mass departure of helicopter technicians would also jeopardize a half-billion investment in antitank helicopters.

Within the leadership of army aviation and the air force it has recently been believed that the problem of a threatened mass departure of fliers and helicopter pilots was over. On 10 June the so-called aviation foreman's committee presented its recommendation to the defense leadership. It included that flying personnel should get better economic conditions. But the committee also recommended measures to improve conditions for other personnel, including the technicians.

Surprised

Negotiations on the new measures were carried out during the summer.

The action by the technicians is the second serious threat against army aviation in the north in a short time. Last winter many helicopter pilots threatened to look for civilian jobs. At that time 10 pilots had already left AF-1 in 18 months. Since then three more pilots have left of the about 50 who work at AF-1

Major Gosta Eriksson is chief of staff and personnel officer at AF-1 in Boden. He is surprised at the action of the technicians:

"It is surprising that they are reacting now when measures have been recommended that they negotiated about. I interpret the fact that more pilots have not given notice as evidence that they are awaiting results of the negotiations."

If 20 of the 50 helicopter technicians really get new jobs and quit, Major Eriksson believes that the activities of the helicopter battalion in Boden will be threatened with severe restrictions. Instead of losing the technicians, AF-1 needs about 10 more technicians to perform the service on the new antitank helicopters which will be delivered in the fall of 1988.

9287

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ECONOMIC

BELGIUM

# MARTENS ON AUSTERITY, BUDGET, ELECTION ISSUES

Brussels LE SOIR in French 14 Jun 85 p 2

[Interview with Prime Minister Wilfried Martens by Janine Claeys, Guy Depas and Catherine Ferrant; date and place not given]

[Text] Belgium is no longer living beyond its means.  
Relaxing our efforts is out of the question.  
1986 budget: neither tricks nor election strings.  
More economies this year.  
Heysel? No censures to be made of officials.  
Liberty is reinforced through greater security.  
Elections? Not before 8 December.

[Question] The FINANCIAL TIMES, the European monitor of the business world, has just made you a handsome gift: a "good" article on Belgium. Are you satisfied, Wilfried Martens?

[Answer] Of course! But an economic profile isn't everything. If by dint of sacrifices and continuity in our policy we no longer appear to be the sick man of Europe, in more general terms why did the shocking Heysel tragedy have to tarnish our country's image, which the pope's successful visit had further enhanced?

[Question] We'll get back to that. But as concerns the economy, the FINANCIAL TIMES also observes a few menacing clouds on the horizon, like a resurgence of inflation and a subsidence in businesses' ability to compete.

[Answer] With regard to that, the OECD is my basis of reference. It in fact notes a slight decline in our ability to compete in 1985. But it says that the average for industrial wage costs for the past 4 years is still more favorable than it was in 1982 in comparison with our 15 chief competitors. The problem is not an immediate one.

[Question] But if wage costs were to climb, what would you do?

[Answer] We would obviously without hesitation apply the law and take steps to restrain them.

[Question] Would you eliminate a wage index installment on the eve of elections?

[Answer] There are other devices than that. But let me make it clear: I will not let myself be trapped by partisan influences that could be prejudicial to the policy that has been pursued up to now. There can be no question of relaxing our efforts! That goes for businesses' ability to compete and therefore for wage growth, for the budget, for inflation: for everything!

#### The Last Quarter

[Question] Wages are frozen out of index until the end of 1986. What will happen after that?

[Answer] Let's not prejudge the result of the elections and the determination of the king, who appoints his ministers. But I feel that in 4 years time we have gone three-quarters of the way toward recovery. The last quarter remains. We will have to maintain austerity in 1986 and 1987. Moreover, that will be one of the themes of my campaign.

[Question] All the more severe austerity since the plan for reducing taxes will have to be "paid for"?

[Answer] Certainly. The plan will have to be applied until 1989 and it involves a complementary rehabilitation on the order of 20 billion a year.

[Question] That's a lot.

[Answer] Everything is relative: That's only 1 percent of current government expenditures. I have the feeling that no one in the country contests the fact that the government may economize to the extent of 1 percent a year to enable it to reduce the tax burden.

[Question] Economize how and where?

[Answer] That's another story. We'll decide on that in July within the framework of preparing the 1986 budget.

[Question] A real budget?

[Answer] Without tricks, without dodges and without any strings attached that might be governed by the elections.

[Question] So an austerity plan for 1986 will be announced before the elections?

[Answer] I've always said that that's the way it would be. I remain firmly resolved to govern right to the end.

[Question] Will you submit a bill during this session of Parliament?

[Answer] Most of the economies to be made can be obtained without resorting to Parliament by means of royal decrees. I cannot yet tell you what they will

involve: The debate has not yet been opened in the government. We'll have to wait.

[Question] The tax-reduction plan was not planned for immediate application. Did you let your arm be twisted by the liberals?

[Answer] I've always said that tax schedules would be indexed as soon as the budget deficit drops below 10 percent of the GNP. This will be the case in 1986. I have therefore not reneged on my pledges. Furthermore, the Planning Bureau's latest projections clearly indicate that we can with the reduction of taxes stabilize people's net income.

[Question] So you're a happy prime minister?

[Answer] The basic equilibrium has been restored. The Belgian economy — businesses, individuals and the administration — has on the whole stopped living beyond its means. Currency management in particular proves this.

Favorable Break!

[Question] And unemployment?

[Answer] We have stabilized unemployment since 1984 in comparison with the European average. The destruction of jobs in the private sector has been stopped. Of course, in the public sector Minister De Croo is eliminating 5,000 jobs a year in the field of communications. While this reduction in employment in communications is enclosed in parentheses, the supply of jobs has increased by 20,000 in 3 years. This is a change in comparison with the past, isn't it? Before, we lost 30,000 jobs a year. The favorable break with the past dates from 1983.

[Question] But when will unemployment decline?

[Answer] That's another story. According to the OECD, an economic growth rate of 2.5 percent a year is necessary to stabilize unemployment. We haven't had that and we've had to resort to artificial or voluntary job-sharing measures. We'll have to pursue this approach during the next few years.

[Question] That is to say?

[Answer] I ready my bible: the December 1984 study on Belgium and Luxembourg. It lists all sorts of interesting measures focused on flexibility.

[Question] That's a word that is a bit magical.

[Answer] No it isn't. It's part-time work, the utilization of wage hikes out of index to create jobs, etc. Which is what we have proposed — imposed — for the fall. According to the OECD, we must also differentiate wages in terms of age and occupational training. This is the key to the problem.

## Review Wages

[Question] Lower wages for young people?

[Answer] That's only one example. We must be original and imaginative. The OECD proceeds on the basis of a well-known sentence that is an entire political program (mine!): "If not, we would see a dualistic economy evolve in Belgium, as it has elsewhere, in which workers benefiting from employment negotiate wage hikes that are clearly incompatible with the return to a broad equilibrium, while entire segments of the population are excluded from the job market and gradually marginalized."

[Question] That involves another way of negotiating with your social partners in the discussion. Andre Leysen proposes a new "social harmony." What do you think of that?

[Answer] I've always defended dialogue, with one reservation: We cannot surrender ourselves to immobility for lack of a consensus between the social partners in the discussion. We have rejected paralysis. We will go on with the discussion.

[Question] And what if the social partners in the discussion are in agreement among themselves but not with the government, as in the construction sector?

[Answer] That's more difficult, harder for the government, but it is a favorable development.

[Question] Agreements have been concluded at industry and company levels. What have they produced?

[Answer] We'll feel their effects on employment in a few months. If they are disappointing, we'll no doubt adopt new initiatives.

[Question] In September, in the middle of an election campaign?

[Answer] And why not? On job sharing, without excluding budgetary measures and possible modifications of social appropriations. But we'll have to wait until fall to decide on the matter.

[Question] When will you really delve into current affairs in an organized fashion?

[Answer] Not before 9 December.

[Question] Will your partners agree to that? We have already noted some reluctance among the coalition parties.

[Answer] From the start tensions have been periodically evident. We have overcome them. The outlook for the elections is not without danger. The important thing is for all the coalition parties to have the political determination to follow through with the work that has been initiated. This

Determination can keep any possible tensions under control. Everyone is convinced of the necessity of working toward recovery. As far as I'm concerned, this will be one of the themes of my campaign.

End of the Tunnel

[Question] Will you develop any other themes?

[Answer] I will show people, more especially young people, that the end of the tunnel is in sight, that hope can be reborn.

[Question] What do you think of the suggestion of some of your ministers that elections should be held a month earlier?

[Answer] Out of the question. We wanted — Parliament wanted — to give an impression of stability. We are not going to wipe that out. Four years, period, that's all.

[Question] You don't regret this law?

[Answer] Like Edith Piaf, I could say: "No, I don't regret anything." But that's not the problem: Under law, I am bound to stay on until 8 December. Even if that requires even more austerity, specifically as concerns the formulation of the budget.

[Question] You have just completed a veritable obstacle course: the missiles, Happart.... What lessons have you learned from it?

[Answer] Some have said that I exaggerated the difficulty of the missiles. You've seen that it wasn't such an easy matter. But Belgian credibility was at stake. It has come out of it strengthened.

[Question] And the CVP's [Socialist Christian Party]?

[Answer] The CVP has understood. Look at the results of the polls published after 15 March.

[Question] And the Happart and company affair?

[Answer] I've always said that the course of legal action was the only acceptable one. It may involve renunciations. But it's the only way out. I was right. We will not apply and have not applied any pressure on the Council of State.

[Question] Another obstacle is nevertheless appearing on the horizon: the plan to revise the Constitution and the PSC's [Social Christian Party] isolation in its rejection of any possibility of placing education under the jurisdiction of the European Communities.



Education: a Problem

[Answer] That's true. That celebrated article of the Constitution, Article 59A. But as concerns education, the problem is not the same here in Belgium as it is in other countries. Academic peace is guaranteed by a pact. This is why the matter has not been included among the powers of the Communities. It is unthinkable for us not to have guarantees of ideological peace written into this pact.

[Question] So there will be no revision?

[Answer] The difficulty to be resolved is that of writing the same guarantees into the organization of more important Community powers governing education.

[Question] And what if the PSC persists in its rejection?

[Answer] A political consensus will have to be obtained. And by a government that is not leaving office.

[Question] But if one of the authorities concerned, in this case the government, defaults because of the attitude of, for example, the PSC, what would happen?

[Answer] There would be a problem.

[Question] Nothing more than a problem?

[Answer] I'm convinced that, if agreement cannot be reached within the government, matters will be deadlocked.

[Question] And you would try to get the PSC, more particularly its chairman, Deprez, to listen to the voice of reason?

[Answer] I will not make any statement that might render the operation more difficult. We'll look for a solution.

[Question] A revision of the Constitution would automatically reopen Community debate.

[Answer] Obviously. Even if the next government's priority should continue to be economic and social reorganization. In the meantime, if you want my opinion, probable discussion by the Communities will certainly concern itself more with the distribution of financial resources among the regions than with any other point.

[Question] The PS [Socialist Party] and the Walloon FGTEB [General Federation of Labor of Belgium] are demanding a redistribution of 600 billion.

[Answer] The amounts are less important than the keys to appropriations. You'll see.

[Question] What do you think of the rapprochements during negotiations between the PSC and the Federalists [FGTB]?

[Answer] It's too delicate a matter for me to express my views on the parties and party chairmen.

[Question] Do you like the chairmen?

[Answer] [silence]

[Question] If you can't say anything as prime minister, at least let the observer you too are speak.

[Answer] That will be when I'm no longer here. At that time I'll write, I'll speak out.

[Question] Are the parties nevertheless getting to be themselves again with the approach of the campaign? And do you sense this in the behavior of your ministers?

[Answer] It's the role of the parties to prepare the elections, their platforms, etc. But I categorically state: They have been without influence in the government up to now.

Heysel: Investigation First

[Question] How do you feel about the Heysel affair?

[Answer] As for the pope's visit, all the officials had made careful preparations for the tragic soccer game. No one can be blamed for that.

[Question] Neither Mr Nothomb, the minister of interior, nor Mr Brouhon, the mayor of Brussels?

[Answer] Neither the one nor the other. Nor the general in chief of the police militia either, nor lastly the Brussels commissioner in chief of police. The orders were detailed and well-prepared.

[Question] But what about the execution of the orders?

[Answer] I've been blamed for not having assumed responsibility for any possible shortcomings. People have compared my attitude with that of Mrs Thatcher. But who can deny that the British were responsible for what happened? We must, however, distinguish between the two. I could not — and I still cannot — assume any sort of responsibility before the Interior Ministry commission's investigation establishes who was responsible for it.

[Question] So, do you claim that Jean Defraigne was wrong in saying what he did?

[Answer] I'm not saying that. I'm saying that we cannot anticipate the conclusions of the investigation.

[Question] That amounts to the same thing.

[Answer] [silence]

[Question] If you had been in Nothomb or Brouhon's shoes, would you have tried to resign?

[Answer] [silence]

[Question] Should someone resign before the investigation is completed?

[Answer] No.

[Question] And what if one of the officials in question is convinced that he was responsible, would you ask for his resignation?

[Answer] All of the facts should be examined and the consequences of the investigation accepted.

[Question] Do you feel that the source of the violence is in the economic crisis and in austerity?

#### Freedom and Security Go Hand in Hand

[Answer] Certainly in the social crisis, not in the economic crisis. The troublemakers had the wherewithal to pay — a high price — for their presence at Heysel. This is not an indication of a reaction by poor or unemployed people.

[Question] But the social crisis?

[Answer] Have you, like me, been struck by the duality of the event? The Heysel tragedy on Television Network 1. And on Network 2 the Queen Elizabeth musical competition. Isn't this the expression of a cultural difference? Obviously, most of the finalists of this competition were Asians. Nevertheless, these are the twin faces of our society, even if it is the result of chance.

[Question] Must we react to violence with a new security program?

[Answer] It is obvious that we must now agree to a number of measures to see to it that law and order are maintained.

[Question] Tougher, firmer police?

[Answer] No, no. It will be enough to supplement police militia staff as provided for but not carried out since the 1975 law.

[Question] Less freedom for individuals in order to have greater security?

[Answer] No. Freedom is reinforced by greater security.

ECONOMIC

BELGIUM

# GROOTJANS ON FINANCIAL POLICY, PARTY POLITICS

Brussels KNACK in Dutch 29 May 85 pp 13-16

[Interview with Minister of Finance and Vice Prime Minister Frans Grootjans by Karel Cambien: "It is More Pleasant with the Paper"; date and place not specified]

[Excerpt] Minister of Finance and Vice Prime Minister Frans Grootjans doesn't keep it a secret that he likes his job as director of DE NIEUWE GAZET better than that of minister. But he only does that temporarily--until the end of this year. A discussion about the political scene, fiscal pressure and public finances.

Unclear CVP [Flemish Social Christian Party]

[Question] Is the traditional picture that is being given of you as minister correct: an orthodox defender of the currency, an advocate of thrifty management and a state-preserving man?

Grootjans: As to the first two descriptions, I am in complete agreement. But state-preserving? I do think that one should take into account the evolution of political thinking at the community level. It would be rather foolish to want to ignore that trend. However, I do indeed explicitly plead for greater caution in carrying through the state reform. I have been seated in parliament long enough now to be able to say that any change in the state constitution has come about too rapidly. I find the reshaping of a state too serious a matter to improvise. Therefore I accept that label, that of being a state-preserving man. However, I am not unwilling to accept changes in the state structures. I do accept them, but only after mature deliberation. Here in Belgium we have been seriously damaging the state for 15 years already.

[Question] Then was the state reform, as carried through in 1980, a failure?

Grootjans: Perhaps a failure is saying too much. But most people now admit that serious mistakes were made at the time. Partly because the authorities were not defined and separated clearly. It was also a serious blunder to couple a state reform to the formation of a new government.

[Question] The electoral prospects are not terribly brilliant for the majority. You yourself are known as someone who would never spare his criticism of the Christian Democrats. On the other hand, teaming up with the socialists is also excluded. Then what remains for the liberals?

Grootjans: I have a strong conviction that we are on our way to being a two-track country, simply because the crisis lends itself to that. To solve that crisis there are two big options: either more power is given to the government, or private initiative is stimulated. That doesn't mean, however, that we are on our way to being a country with two political parties. Only the existing political parties will increasingly have to take a stand in the crisis debate. And that is exactly the biggest problem of the CVP: where does it align itself? The lack of clarity within the Christian Democratic ranks is very great. And that lack of clarity unfortunately has repercussions on the political climate. Therefore the credibility of politics and politicians is being affected.

[Question] You say a two-track country, but certainly with a very unusual situation: the CVP chooses its coalition partner a la carte, depending on what suits it.

Grootjans: Because of its unclear profile, it can choose more easily, of course. But I have the strong impression that the public opinion will be less and less willing to take that. The socialists and the liberals at least say very clearly what they opt for, even though the ideas of those two parties are very difficult to reconcile.

Question: Thus you prefer to go together with an unclear CVP?

Grootjans: No, I hope that the CVP will finally show its true colors in the coming election campaign. For that matter, Wilfried Martens has already made it known that he wants to continue the current coalition. And the socialists are certainly not planning to take over the current policy. Only a CVP-PVV [Party of Liberty and Progress] coalition feels called upon to provide a suitable extension to what has been realized so far.

[Question] But everything depends on 8 December, of course?

Grootjans: Yes, the voter always has the last word, of course.

[Question] Aren't you afraid then that the current coalition will be maneuvered into a difficult position?

Grootjans: I don't consider it out of the question that this coalition, mathematically speaking, cannot be continued. But should this situation occur, it might take a very long time before a government is formed. Then it would even be possible for a political crisis to last so long that new elections will simply be called. I sort of expect that somehow.

Slogan

[Question] With which slogan will the PVV enter the campaign?

Grootjans: I am not personally involved with that. A good slogan is being sought. For the time being we stick to: "The PVV Does What Must be Done." I think that has possibilities.



[Question] But no longer the previous slogan: "Not You but the State Lives Beyond its Means"?

Grootjans: I find it unjust that people say that the PVV did not stick to that slogan. I think that Willy De Clercq has kept a good part of that promise for tax decrease. But it was done gradually, and emphasis was put on a tax decrease for business enterprises. I notice that most people have forgotten that long since. Still, the company tax has decreased from 48 to 45 percent. It was simply pure necessity to benefit the enterprises first: they must jack up the economy of the country. The famous Cooreman-De Clercq law must also be seen in this context, even though individuals also benefited by it. There was also the investment deduction for enterprises and numerous other fiscal measures. The total amount of fiscal measures benefiting enterprises can be estimated at about 80 billion francs. I would find it unfair to my predecessor if one tried to ignore that.

And after the enterprises, individuals received tax benefits. On the average, family taxes were decreased by 40 percent--raising the ceiling for splitting and for decumulation [filing separate returns], an increase of the subsistence ceiling, an increase in the deduction of the cadastral income for a private dwelling to 120,000 francs. All those measures have become effective. The advantage for individuals is estimated at about 30 billion francs. And now there is still the proposal which provides for a general decrease in personal tax. It is true that it will be spread over 4 years, but it will still be a decrease of an average of 10 percent. I think that our party kept its previous election promise. The only thing that can be said is that perhaps we should have done more. But then I answer: the budgetary situation is and remains bad. For that matter, the beneficial measures which are being carried through in the personal tax will necessarily have to be compensated for through new economies in the state expenditures.

[Question] But if the personal tax is decreased, then why not simultaneously submit a multi-year plan for restructuring public finances?

Grootjans: The condition of the treasury is no longer worsening now. The annual amount of the growth of our debt is starting to decrease. Further we are now trying to improve the structure of our existing debt burden, amongst other things through consolidation. In the past almost 40 percent of our debt consisted of certificates which could be redeemed on a very short term. That made us very vulnerable. The slightest shift which occurred in the exchange market immediately put the state finances in a difficult position. The composition of our debt burden is now being thoroughly revised. We are resorting to foreign currency less and less. In the first trimester of this year we only resorted to foreign loans for 4 percent. Foreign loans which are too expensive are also being renegotiated.

[Question] You are surely acquainted with Professor Vuchelen's remark. He says that our foreign debt is in reality much greater than is officially admitted. That is because the government only takes into account the initial value of the foreign currency withdrawn, and not today's value. Hence Vuchelen claims that our foreign debt is over 65 billion francs greater than what is actually admitted. What is your answer to that?

Grootjans: My services have conducted a thorough study on that. The conclusion is that Vuchelen's thesis is only partly correct.

To Tokyo

[Question] The Belgian Bank Association was recently still asking why an objective cost- and profit analysis had never been made of the budget as such. That could really be informative.

Grootjans: That is indeed a crucial problem. I fear that a solution for the budgetary problem cannot easily be found, due to the following reasons. In fact each budget, in the first stage, is drawn up by the officials of a certain department. Those officials are asked to do something almost unnatural when a heavy cut is demanded in that budget. No one likes to do that. Often one actually asks for more than what one really needs. One knows that later on the ministers will start chopping. I believe that if one really wants to bring about a thorough restructuring of government finances, the budget should be drawn up by independent experts who do not belong to that department.

[Question] Why don't you submit such a proposal?

Grootjans: Watch out. I'm not the minister of the Budget, I am only the minister of Finance. I only take care of the receipts; I am not allowed to get involved in the expenditures--a unique situation, really. In the countries surrounding us the minister of Finance and of the Budget is the same person. Moreover; as minister of Finance I cannot get involved in the budget of a colleague either. Yes, my powers don't reach as far as one sometimes tends to think. Sometimes I feel very lonely; I must only see to it that the money comes in on a daily basis.

[Question] Would a political consensus be possible with respect to a plan in which independent experts draw up the state budget?

Grootjans: I am sure that the inspectors of Finance, for example, could draw up a much better budget, and one that is much more trimmed. But I have serious doubts about the political feasibility of such a project.

[Question] Meanwhile our country has, after Denmark, the greatest fiscal pressure in the EEC. Is that the reason that you "went down on your knees for potential cheaters," as Freddy Willockx called it, with your bill concerning tax fraud?

Grootjans: For the time being my proposal was not withheld. With my bill I simply want to strive for more legal security for the taxpayer. I notice that the Dupre proposal goes in the same direction. If it is discussed in the senate at the beginning of June, I hope that the holy ghost will as yet land on the CVP souls. And what Willockx says: how could I possibly want to protect the cheaters? As minister of Finance I realize very well that the problem of tax fraud is not a life-or-death matter for the treasury. If we track down half of the cheaters, then public finances will possibly be restructured in just one swoop.

[Question] What is the position of the Belgian currency?

Grootjans: Good, very good. Faith in the Belgian frank has risen again, a long time ago. In the spring of last year our currency experienced its last crisis. But when the dollar started to decrease last fall, the Belgian franc maintained a good position. During the past months we wrote two state loans, and not only Belgian investors but also outside investors subscribed to those. In the meantime the short-term interest rates also started to decrease, which causes investment opportunities to increase. The financial sky above our country is now gradually clearing. Do you know that Belgium is still one of the most solvent countries? During the meeting of the interim committee of the IMF in Washington last month, I was invited to Tokyo to attend a meeting of the Ten. The ten are the richest countries in the world. Thus I determine that Belgium still enjoys a very good reputation. Foreign bankers are still willing to loan money to our country.

[Question] Didn't the IMF also say that the restructuring of public finances is not taking place at the desired speed? Isn't that a bad point for Belgium?

Grootjans: Indeed, that's what I was told in Washington also, at the time. It is clear that the speed of the restructuring is slower than what the government had initially hoped for. Thus it was expected that the net balance to be financed would be around 8 percent next year.

[Question] And that is still 10.4 of the GNP, and that is an alarmingly large amount.

Grootjans: It is indeed not too pleasant a figure, especially if one looks at the countries surrounding us. Some of them register a net balance to be financed of barely 2 or 3 percent.

[Question] The next government will have to pay considerable attention to that.

Grootjans: Doubtlessly, for that is our Achilles heel.

#### Hungarian Situation

[Question] For many years there has been talk of a drastic restructuring, without anything being done.

Grootjans: The misfortune is that we ministers are never believed when we sound the alarm. And why aren't we believed? Every first day of the month the civil servant gets his wages, the young mother her children's allowance, the retiree his pension. But what the citizen forgets is that this is for a great part borrowed money.

[Question] We have indeed for many consecutive years been putting a mortgage on the year 2000.

Grootjans: I always say that loans are postponed taxes, but not everyone seems to realize that. Our children and grandchildren will be the ones who will have to settle the bills of the welfare state. And they will certainly blame us for what went on here in the seventies.

[Question] You said at one time that there is only one choice: either one lives in a system of a free market economy, or one lives in a communist model. A democratic socialism, for example, would continue to be wishful thinking. Do you still maintain that?

Grootjans: Yes. And I find that, with our model of a free market economy, we unfortunately evolve more and more toward communism. In Hungary, for example, the government sector absorbs 75 percent of the GNP, in Belgium 63 percent. We are in the midst of a silent revolution, without a constitutional revision, without elections. The problem is that, once a certain threshold of government expenditures has been crossed, it is almost impossible to go back. Just think of the enormous difficulties Margaret Thatcher has when she wants to desocialize the state. Once a certain threshold is crossed, government expenditures are automatic to a certain extent and can no longer be halted. I am afraid that here in Belgium we have also reached that point of no return. Isn't it frightening when the situation in Hungary and Belgium become comparable? And the people don't realize that. Sometimes I say that in lectures: we are fully on our way toward becoming a communist society. Then you see people take fright: what is that man telling us here!

8700

CSO: 3614/95

ECONOMIC

DENMARK

# SWEDISH ECONOMIST GIVES HIGH MARKS TO DANES FOR POLICIES

Stockholm DAGENS NYHETER in Swedish 20 Jun 85 p 3

[Article by Dag Lindskog, PhD, member of Economic Secretariat of Sparbankernas Bank: "Look at Denmark!"]

[Text] The Danish strategy of directly changing wage fixing demonstrates an alternative which so far has produced just as good results as Sweden's devaluations and which, unlike Sweden, is expected to give continued good economic development. So writes Dag Lindskog, PhD, who is active in the secretariat of Sparbankernas Bank.

Denmark and Sweden, two countries with the same negative developments during the 70's and the beginning of the 80's: high rates of inflation and growing deficits in their balance of current payments. Both got new governments in the fall of 1982. The new incoming Danish government announced on its first working day--11 September--that the Danish krone would not be devalued. The new incoming Swedish government on the other hand on its first working day--8 October--devalued the Swedish krona by fully 16 percent. Different beginnings for fighting similar problems!

Both Denmark and Sweden have had positive developments since 1982. An important explanation for the improvement of both is obviously the international business upturn. But how is the situation today, and how are Denmark and Sweden equipped to face the weakening which is feared to be approaching in the world around them?

The current problems contain similarities as well as dissimilarities. Prognoses for future development point to clearer differences; a positive Danish development is contrasted with a best case "halfway" Swedish development. A natural question, therefore, is: Can we learn anything from Denmark's different choice of strategies and methods? The finance minister has also already looked askance at our neighbor in connection with an eventual tax on real interest. If there are further measures to go for, should we look at Denmark?

Let us establish here at the beginning that this comparison bears upon economic policies, and not the two governments' party colors. I believe that it



is inappropriate to put party labels on the two different choices of strategies.

Then what does the different Danish economic policy contain?

Starting in the fall of 1982 a tight income policy was followed. Among other measures the direct linkage between prices and wages was abolished, meaning that the extensive wage indexing system was demolished. The 2-year agreement reached in the spring of 1983 contains a significant slowdown of the rate of wage increases--down to about 5 percent from 10 percent in previous years.

Another important measure was a gradual liberalization of exchange controls. Foreigners were given permission to purchase Danish government obligations and Danes, without special permission, were allowed to purchase listed foreign obligations. In addition the limits on amounts of currency which can be exported, and amounts that companies can invest directly abroad were raised.

These and other economic-political measures were followed by what was considered by many observers to be an almost miraculous development. The rise from the business slump of 1980-81 came rapidly--last year's rate of growth was the highest in West Europe--and the rate of inflation was more than cut in half by 1984. As in Sweden, the rise was concentrated in the private sector, and mostly in industry. The increase of industrial production, investment and employment in industry last year was entirely comparable with that in Sweden. Finally Denmark's high unemployment also began to fall.

The most dramatic change, however, took place on the credit market. In the fall of 1982 the highest point of the record-high Danish interest situation was reached. Then, for example, 10-year government bonds were sold with an interest rate of 23 percent. During the following 6 months the interest level fell by an almost unbelievable 10 percent. That is an important explanation for last year's very strong increase in investments and general growth.

Reduced expenses, tax increases (including the real interest tax) and above all strong growth have greatly reduced the Danish national budget deficit. On the other hand, and unlike Sweden, the Danish balance of current payments deficit has stubbornly remained at about 15 billion Danish kroner per year. The already large foreign debt has thereby continued to grow.

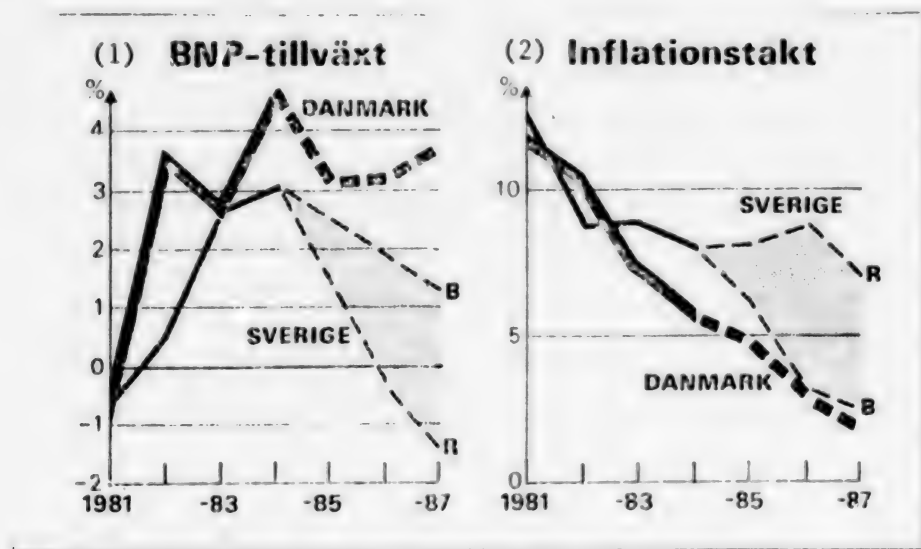
The tight income policy and liberalization of currency controls have continued also this year. A new 2-year wage agreement was put through the legislature in the Folketing. It includes that the rate of increase of wages is halved again. The agreement grants wage increases to the private sector of 2 and 1.5 percent respectively this year and 1986, and somewhat lower in the public sector. The final outcome, including wage slides can, according to independent observers, be expected to be 3 and 2 percent respectively this year and 1986. To this should be added that employer fees during the agreement period will be reduced by 1.5 percent. The result will be a considerable improvement in Danish competitive ability.

Lifting currency controls was continued on 1 June. The requirement for special permission for Danes to purchase nonlisted foreign obligations was eliminated, and the shortest permitted maturity for companies' foreign loans was reduced to one year.

Denmark's current problems resemble Sweden's insofar as the development of the balance of current payments so far this year has been a disappointment. There as well as here the harsh winter and strikes are mentioned as important explanations, and independent economists believe that financial policies must be tightened up for reasons of the current account balance.

There are also important differences. In April the Danish Central Bank assisted in bringing the interest rate down by 2 percent. An important motivation for the Central Bank's action was a too large inflow of currency via the private capital balance. Today's strong Danish krone--next strongest within the European monetary system--and the short interest rate of 10 percent can be compared with a weak Swedish krona--in relation to the National Bank's target--and a short interest rate of fully 16 percent!

Differences are also noteworthy in the prognoses which are available for the two countries' future development. In the diagrams the growth and inflation rates are compared for the period 1985-87. The Danish prognosis is made by the independent Danish Economic Council, and consideration is given to the new 2-year wage agreement.



Key: (1) Growth of GNP

(2) Rate of inflation

Caption: 1981-84 are actual results, 1985-87 are prognoses, for Denmark from the Economic Council, for Sweden from the 3-year calculations in the Supplementary Government Bill, in which B is the balance alternative (wage increase of 5 percent) and R is the reference alternative (wage increase of 7-9 percent).

For Sweden two calculations are presented in the diagrams covering likely results. Both were obtained from the Supplementary Government Bill. Line B represents the balance alternative, which is based on annual wage increases of 5 percent, among other things. Line R represents the reference alternative, in which wage increases remain at the level of 7-9 percent per year. This alternative also contains stronger budget increases than the balance alternative's 10-15 billion. Neither of the alternatives considers wage increases in May.

The Danish prognosis shows high and increasing growth, a low and falling rate of inflation, and furthermore it includes a reduced deficit in the balance of current payments--5 billion in 1987--and a continued reduction in unemployment. The Swedish picture is different despite the fact that the assumptions in the two countries' prognoses concerning inflation and growth rates in the outside world are identical. Even in the most advantageous balance alternative there is a slowdown in the rate of growth, and the inflation rate does not reach the Danish rate until next year. To that must be added that while Denmark has already reached a lower rate of wage and price increases, it still remains for Sweden to do that.

Last year it was calculated (according to the Swedish Institute of Economic Research) that industry's manpower costs have grown by fully 10 percent--an increase in relation to 1982-83 and at the same level as 1977-78 and 1980-81. Preliminary information indicates that this year's wage increases can be in the neighborhood of 7 percent and the 1986 agreement is still not concluded! The low growth rate and high inflation rate of the reference alternative does not seem to be far off. And furthermore that alternative contains a deficit in the current account balance and increased unemployment.

It is clear that the Danish developments up to today contain both positive and negative sides, that we have so far only seen half of a business cycle, and that prognoses are only prognoses. The direction of movement of the Danish economy, however, according to independent observers, is clearly more positive than the Swedish Government's own most optimistic estimates. Swedish decision makers should therefore study the Danish economic policies more closely.

It is interesting for the Swedish Currency Committee to find that the Danish liberalizations have not been followed by an unrestrained currency outflow. The opposite happened, which led the Danish Central Bank to reduce the interest rate. The problems are considerably worse with the Swedish controls, at least in today's situation.

There is, however, a more important lesson from Denmark which concerns the choice between devaluation or directly influencing the wage structure. A devaluation has, certainly in the short term, positive effects on export volume and production. But wage compensation and increased inflation come immediately thereafter. After a few years the gains of the previous market advantage are lost, and the export volume and production decline. What

remains is a worsened competitive situation, a higher rate of inflation and a new discussion of devaluation. The method of setting up ambitious inflation targets and at the same time devaluing can almost be compared with the expression, "Let's have liquidation, but first a real expansion."

The Danish strategy, to directly change wage development, demonstrates an alternative. An alternative which has so far given at least just as good results as Sweden's devaluation(s). And which, unlike Sweden, is expected to give continued good economic development.

The Danish lesson is therefore: devaluation is not necessary to obtain good economic results over the short term, and it should not be used if the goal is continued good economic outcome!

9287

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ECONOMIC

FEDERAL REPUBLIC OF GERMANY

SCANT RESPONSE FROM EMPLOYED MAJORITY TO GRIEF OF JOBLESS

Munich SUEDEUTSCHE ZEITUNG in German 7 Jun 85 p 4

[Article by Volker Woerl: "Majority Learns to Live with Unemployment Problem—Marked Improvement in Jobless Situation Nowhere in Sight"]

[Text] In May, the unemployment figures in the FRG were down—as they always are at this time of the year. There was a drop of 112,000 which seems encouraging at first glance but is in effect something of a disappointment. Never before were this many people out of work in the FRG during the month of May. Even the spokesmen of the government coalition are hard put to conjure up at least modest gains of Bonn's economic policies by referring to these employment statistics. As for the SPD and the labor unions, these latest figures put out by the Nuremberg Office of Labor Statistics clearly constitute a danger signal. There are ever more urgent calls for crash programs. The DGB is planning to hold a "protest week" in October against the government's "lack of initiative." To be sure, it is not easy to express satisfaction over a policy which causes an annual average of far more than two million people to be out of work.

The projections also tend to worry people. The Nuremberg organization expects the potential number of job seekers to increase by another 400,000 to 500,000 by 1990. CDU political leader Kurt Biedenkopf, an economist, recently said that this figure will grow by some 600,000 just for the years between 1985 and 1987. Which means that the economy would have to provide that many new jobs, if unemployment is not to increase further.

Added to this are the consequences of the rise in output, which may make all the economists happy but which ought to worry the labor market strategists no end. When productivity rises **faster than production** as such, the need for manpower grows less. Even if the difference amounts to just one percent, some 200,000 jobs are lost.

The SPD and the labor unions wish to stimulate demand by developing government programs which call for expenditures of DM 10 or DM 20 billion or even DM 50 billion. The government coalition conveys a rather confused impression. For public consumption, such plans are dismissed out of hand or at least camouflaged by giving them another name. Attention



is drawn to the unhappy experiences with such programs in the past and the government then stakes its fortune on—what? The hope is for economic growth which will under no circumstances be strong enough to create a great many new jobs in a very few years. There is also the hope that the new job incentive legislation will work; that some people will opt for early retirement; that special assistance programs, e.g. for the construction industry will produce the desired results. A little bit here and a little bit there—but altogether it will produce hardly anything at all this year and probably not much more next year. Probably the only chance the government really had to make a major dent was lost when it stuck to the two-stage tax reform plan. The "resolute stand" taken by Finance Minister Stoltenberg—even against the advice of a good many coalition political leaders—will turn out to have been a costly example of stubbornness.

If the government were honest, it would have to tell the people today that it will have to live with a high unemployment rate at least until the demographics no longer cause the manpower pool to grow each year. One very good reason why the government will have to do so is because the overwhelming majority of the 90 percent who do hold down jobs have absolutely no intention of making any real sacrifices to benefit the 10 percent who are looking for work. This came out very clearly during the dispute about shortening the work week last year. Any simplistic demand for full equivalence of earnings plainly means—as Prof Nell-Breuning, the dean of the Catholic sociological school, so aptly put it—that a man is perfectly willing to give up part of his work but still wants to keep all of his wages. There is a tacit consensus today about the fact that an affluent economy, marked by high prices and constant pressure to make production more efficient, simply has to live with the fact of unemployment. By providing an acceptable measure of subsistence payments, the more unpleasant aspects of joblessness can be kept within bounds. As for the human side of the equation, that, if anything, is of interest to a handful of outsiders, particularly within the religious community.

This is a nasty business. Actually, the labor market itself ought to regulate supply and demand for the amount of work required. But this amount is not a constant but depends on production and the costs thereof. It is in this area that government programs could be of help, if they do not place a drain on private investment or the capital market.

It is surprising to see that there is no discussion at all in this context on the possibility of turning the huge government financial resources over to the private sector for the purpose of funding worthwhile undertakings. At current stock market rates, for example, the government share in Lufthansa amounts to about DM 2.6 billion and its share in VEB to about DM 2 billion. If one were to include all the government property ranging from banking institutions to the Volkswagen automobile plant or even all the government-owned real estate, one would arrive

at double-digit figures in the billions. Given funds of this magnitude, one could achieve tax relief for business firms and individuals and one could stimulate all manner of investment—either by the government itself or, better still, by adding to the financial strength of the whole economy.

There certainly are a lot of things which speak against this and in the case of Lufthansa, for example, an odd anti-privatization coalition has evolved, which includes both Franz-Josef Strauss and the union bosses. But if we keep on declaring this or that way out off limits, we should not be surprised to see our army of the jobless.

9478

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ECONOMIC

NORWAY

## CENTRAL, PRIVATE BANKS WARN OF OVERHEATING ECONOMY

### Expansionist Economic Policy Cited

Oslo AFTENPOSTEN in Norwegian 26 Jun 85 p 31

[Article by Thomas Knutzen: "Economy Advancing Too Sharply"]

[Text] Norway's economy is advancing sharply. Reports on business conditions from the Association of Norwegian Banks and the Bank of Norway confirm that fact. The economy's rate of growth is probably somewhere between 4.5 and 5.0 percent, the Bank of Norway believes, and it thinks that the economy is rapidly approaching a situation where there will be pressure on prices and costs. The Norwegian economy is now experiencing the biggest advance in consumption in 8 years. Norwegian wage earners will get the biggest increase in real wages since 1976 this year. The reverse side of the medal, however, is the fact that Norway's ability to compete with other countries will clearly be diminished in 1985. One would have to go back to 1977 to find a sharper diminution of that ability.

The Bank of Norway expects the improvement in business conditions to continue in the Norwegian economy throughout the year 1985. The central bank now has observed an improvement in its economic indicators since September 1982. The economic upswing we are experiencing now is also lasting longer than has previously been the case. The duration and strength of the improvement are connected with the relatively expansive economic policy that is being pursued, the Bank of Norway says, and it strongly emphasizes its view that developments in Norway where costs are concerned are worrisome, and it points out how dependent the Norwegian economy is becoming on income from oil as a result of the big wage increases and strong public demand for consumer goods. The Bank of Norway calls attention to the fact that if Norway's traditional trade in commodities with foreign countries merely continues to follow its normal course, a foreign trade deficit of 50 billion kroner can be expected in 1985. If the conditions under which oil is produced remain the same as they are at present until the end of the year, the Bank of Norway expects that Norway nevertheless will come out with a surplus of approximately 15 billion kroner in the balance of payments

### Rise in Prices Below 6 Percent

In general, the evaluations of the Norwegian economy by the Association of Norwegian Banks and the Bank of Norway coincide. However, the Association

seems to be somewhat more pessimistic where price increases are concerned. It expects price increases from 1984 to 1985 to amount to about 6 percent, with "a considerable danger of an increasing rate of growth well into the fall." The Bank of Norway is sticking to its earlier estimate of a price increase of between 5.5 and 6 percent in 1985.

Both institutions attach great importance to the growth that is going on now in private consumption in Norway. The Bank of Norway indicator that is concerned with the turnover of commodities in retail trade indicates that private consumption from January through April 1985 was approximately 3.6 percent higher than the average for private consumption during 1984. The bank is also carrying out inquiries that indicate that consumers' evaluations of general business conditions in the second quarter of 1985 were distinctly better than those in the foregoing quarter and also in the same quarter of 1984. "That must probably be perceived in connection with the considerable increase in income now being enjoyed by private households," the central bank concludes. It expects that private consumption will probably increase by about 3.5 percent over 1984 in 1985.

The Bank of Norway and the Association of Norwegian Banks both call attention to the fact that capital investments by industry continue to be strong, and the Association inquiries indicate that there will be a continued increase in 1986. Although the strike at Norsk Hydro [Norwegian Hydroelectric Power] pulled industrial production down in January and February of this year, it now is back up to the same level at which it stood at the beginning of 1984, the Bank of Norway points out, and it expects an increase of more than 2 percent in industrial production. The Association estimates that industrial production will grow at a rate of 2.5 percent. The Bank of Norway believes that it is too early to say whether the peak of the business cycle has already been passed where the industries that compete on the international level are concerned, but it points out that the constant deterioration of its ability to compete leads to loss of Norwegian industry's share of the market.

The Bank of Norway sees nothing to indicate a diminution of the rate at which wages are increasing, and it points out that the preliminary wage index for the first quarter of 1985 shows an increase of 9 percent for industrial employees. If wages continue to increase as they did in 1984, hourly wages will increase at a rate of 7.25 percent over 1984 in 1985.

The Bank of Norway believes that the increased demand for labor and the decrease in the number of unemployed persons now provide a basis for a gradual reduction of the efforts being made in connection with the labor market. The central bank wants to prevent this from becoming a permanent trend and it thinks that a gradual reduction is necessary to be able to take care of the ordinary need for manpower and that that will give the Labor Market Service a better chance to work toward what is actually its primary mission: acting as an employment service. The central bank perceives an increasing disproportion between the demand for and the supply of labor, both geographically and where qualifications are concerned.

At the end of May, there were not only 12,600 fewer unemployed persons, but there also were 6,000 more unfilled jobs, the central bank points out. The decrease in the number of unemployed is also owing to the increased extent of the efforts being made in connection with the labor market. At that time, such actions covered 40,500 people, and that means that approximately 93,000 people were out of work or were included in the labor market action. At the same time, 24,000 jobs were unfilled. The Association of Norwegian Banks states that, if willingness to report oneself as unemployed is the same now as it was in the 1970s, there are between 30,000 and 35,000 people in Norway at present who are registered as unemployed, or approximately 1.75 percent of the labor force.

#### Paper Sees Inflation Danger

Oslo AFTENPOSTEN in Norwegian 27 Jun 85 p 2

[Editorial: "Is Pressure Present in Economy?"]

[Text] Norwegian wage earners are getting the biggest increase in real wages since 1976 this year. Looked at in isolation and a bit superficially, that obviously is a gratifying piece of news, and most people will probably agree that it is a very welcome piece of news. But there also is an important reverse side to the medal. A comprehensive wage increase as extensive as the one we are seeing now will--along with other factors--bring increased pressure to bear on prices and costs. Or, to put it in somewhat simpler terms, we now find ourselves in a situation where the danger of a new rise in prices is increasing.

In its semiannual report, the Bank of Norway points out the danger signals. The increase in the cost of goods and services in Norway is also getting much more vigorous than is the case with the nations with which we do business, and that means a further weakening of our ability to compete on the international level. That weakening is expected to take place at the rate of 2.5 percent. With the exception of the year 1981, this is the worst deterioration of our ability to compete internationally that has taken place since 1977.

We are confronted with the paradoxical circumstance that, just because "everything is going so much better now" in the Norwegian economy and in our trade and industry, the danger of new setbacks will increase if we do not manage to control the economic improvement to a sufficient extent. Again it is the specter of inflation that comes forward, and that is happening in spite of the fact that the government in power has shown great prudence, particularly by maintaining a relatively moderate rate of increase in expenditures.

Looked at from the point of view of practical economics, one nevertheless is forced to note that even the Willoch government is pursuing a policy that is too expansive now, with certain inflationary factors built into it. So one naturally can inquire what the Labor Party's policy of emphatic promises and outbidding of rivals, with additional expenditures of billions and ever more billions of kroner, would have accomplished by comparison. On the whole, there is no doubt about what the answer would be. We would again have experienced a surge of prices and inflation of about the same magnitude as the one



we lived through when the Labor Party had the responsibility for the government.

In the present situation, it is not the government that has the primary responsibility for price movements--a fact that is confirmed by the circumstance that that same government is constantly being criticized by the opposition for being "too stingy." The danger of an increasing advance in prices is primarily owing, according to the Bank of Norway, also to the big increase in wages and the larger amount of money in the hands of the people.

The fact that costs are rising more rapidly in Norway than they are doing, on the average, in the countries with which we are competing constitutes a threat, above all, to jobs in this country because our ability to compete is being weakened. What is involved, to state it very briefly, is the possibilities of getting Norwegian goods and services sold at profitable prices. If we lose out in this competition, we all know what will happen. We have seen innumerable examples of this during recent years.

It is to be hoped that things will turn out better than many experts fear. What there is good reason to warn against in the present situation, above all, is the irresponsible policy of higher bidding that the Labor Party is demonstrating so openly in anticipation of the election in the fall. If such a policy is carried into effect, it will have catastrophic results for our country.

9266

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ECONOMIC

SWEDEN

PAPER ASKS IF FELDT WILL CONTINUE POLICIES AFTER ELECTION

Stockholm SVENSKA DAGBLADET in Swedish 1 Jul 85 p 2

[Editorial: "Theory and Practice"]

[Text] Kjell-Olof Feldt is probably the most capable finance minister the Social Democrats could come up with. In the revised financial plan he presented this spring he showed in a creditable and instructive fashion the policy that is needed to deal with Sweden's economy. The problem--for the Social Democrats--is that this policy is essentially identical with the one advocated by the Conservatives.

The problem for Swedish citizens is whether the Social Democrats will pursue this kind of policy if they win the election. People who think Feldt is good in theory should vote for Adelson, who is good in practice.

In supplement 1.2 to the revised financial plan there is a chapter that discusses Sweden's economy in the period 1985-88, a suitable topic as we approach the election. It discusses three courses of development.

The first, the balance alternative, assumes low price and wage increases. The finance minister also assumes that the Social Democrats on the Riksdag Finance Committee will go along with so-called budget enhancements, savings cuts and tax increases to the tune of 10-15 billion kronor.

The balance alternative is based on the unrealistic assumption that wages will increase "at the same rate as in 1985, or 5 percent a year" and that inflation will rise at a rate of only 3 percent in 1986 and as little as 2.5 percent in both 1987 and 1988. Therefore the balance alternative has no credibility and must unfortunately be dropped from any further discussion.

In the so-called reference alternative, hourly wages would rise around 7 percent in 1985, which is much more realistic. In this case, according to the Finance Ministry's assumptions, the finance minister would have to come up with another 15 billion kronor in 1986 and 10 billion kronor in 1987. All these extra budget enhancements would come from the economy sector. The Finance Ministry made no analysis of how much of the money would come out of the spending side as opposed to the income side.

But that is precisely where the difference lies between Social Democratic theory and Conservative practice. The Social Democrats place the main emphasis on tax increases, the Conservatives prefer budget cuts. In both cases citizens lose some of their purchasing power.

The Conservative talk about changing the system is based on the correct idea that if one must make cuts in the system it is undoubtedly better to go even further and make changes in the system itself. The public authorities are not pieces of cheese and cannot be treated that way, it has been said. If one must make cuts in the public cheese it is better to cut off a rotten piece rather than slice a piece off the top.

In the reference alternative worked out by Feldt's Finance Ministry, the gross national product would actually be lower in 1988 than in 1984. However unemployment would be twice as high in 1988 as in 1985. This will not happen. Therefore the reference alternative must also be dismissed, which leaves us with the Finance Ministry's most frightening alternative.

In this alternative no austerity moves are made. The balance of trade deteriorates, the budget deficit and unemployment rise and the whole thing would end up in 1988 with a devaluation and a very high level of inflation.

To avoid such a development, a policy based on the following five points is recommended on page 32 of supplement 1.2 to Feldt's revised financial plan:

The rate of price and wage increases must be substantially moderated. Industrial profitability must remain at a high level. The rate of increase in public spending must be limited and the state budget deficit must be reduced. Increases in domestic demand must be adjusted to the need for balance in foreign trade and the need for increased employment. The ability of the labor market to adapt and adjust must be improved.

This is the kind of policy that should be pursued in Sweden in the next few years. In practice it is incompatible with the ideological impediments that restrict a Social Democratic government.

6578

CSO: 3650/281

ECONOMIC

SWEDEN

# TIDE OF GOOD ECONOMIC NEWS AS ELECTION NEARS BOOSTS SDP

## Currency Inflow Bolsters Krona

Stockholm DAGENS NYHETER in Swedish 9 Jul 85 p 9

[Article by Anders Nordstrom]

[Text] More foreign currency poured into Sweden last week than at any time since the Bank of Sweden raised the interest rate.

According to the central bank's weekly report, the net inflow was a full 1,132 million kronor.

During the same period, the state paid out 44 million kronor--an unusually low amount--in interest on its foreign debt. The total inflow of private capital, which is the only kind affected by Sweden's interest level, therefore totaled 1,176 million kronor.

The currency outflow that many observers warned might occur as the election drew closer is still conspicuous by its complete absence. But if those fears are confirmed and the outflow of currency picks up speed again, the Bank of Sweden will be well prepared.

The reason is that the state's foreign borrowing showed a net gain of 403 million kronor last week, with the result that foreign exchange reserves rose to a record 52,749 million kronor. That is just over 16 billion more than at the same time last year.

## Outflow

But in the period since the first of this year, Sweden has nevertheless experienced a negative currency flow of 5,424 million kronor.

During that time, however, the state's interest payments on foreign debt rose to a full 7,865 million kronor. This means that big firms, banks, private individuals, and other private owners of capital brought 2,441 million more into Sweden than they took out.

Presumably, the recent heavy flow of currency into Sweden is also an important reason for the Swedish krona's stronger position on the international currency market (see below).

#### Krona Grows Stronger

The U.S. dollar fell on Monday to its lowest level since last autumn. At the same time, the Swedish krona is stronger than it has been for a long time.

In Stockholm on Monday morning, \$1 was selling for 8.6675 kronor, or 7.5 ore less than last Friday. The dollar rate was therefore at its lowest point since 23 November of last year. In the interval since November, the highest rate was 9.735 kronor (on 6 March).

In Frankfurt, the dollar slipped even more--by 5 pfennig--to 3.0063 Deutsche marks. Last Friday, the rate was down to just under 3 Deutsche marks in New York, but opened at just over 3 Deutsche marks in Monday's trading.

The unsuccessful OPEC meeting in Vienna over the weekend is not considered to have had any decisive effect on exchange rate developments. Nor is there expected to be any relatively important economic news from the United States in coming weeks that might affect the rate.

At the same time that the dollar rate has fallen, the Swedish krona has grown substantially stronger.

#### Stronger and Stronger

When Sweden devalued in October 1982, the index for a "currency basket" of the 15 currencies most important in foreign trade was set at 132. A higher index means a weaker krona and vice versa.

From then until February of this year, that index remained constantly under 132. The krona was therefore strong. But with the growing flows of currency out of the country, the index for that basket was above 132 for several months in a row.

On Monday, however, the index had dropped back to 132.17--its lowest level since 28 February. And foreign exchange dealers believe that the index will continue to fall now, keeping pace with the rising inflow of foreign exchange.

#### Employment Figure Improves

Stockholm DAGENS NYHETER in Swedish 9 Jul 85 p 9

[Article by Gert Tryman]

[Text] In comparison with the same time last year, employment in the country continued to rise in June of this year, and at the same time, open unemployment declined slightly. This is shown by new figures from the Central Bureau of Statistics (SCB).



According to the SCB's labor market survey for June, 112,000 people, or 2.5 percent of the labor force, were in open unemployment in June. That compares to 118,000 people, or 2.7 percent, at the same time last year.

Counted as openly unemployed are those who have no job or are involved in so-called labor market programs such as relief work or programs under the youth law.

#### Unchanged

The SCB's figures also show that on the whole, demand for labor remained unchanged between May and June of this year.

The number of vacant jobs reported in industry continues to be high. During June, 8,000 vacant industrial jobs were reported to the employment offices. That is an increase of just over 1,000 in comparison with June of last year.

The number of vacancies also increased in the public sector, where 21,000 new openings were reported. That is about 2,000 more than a year ago.

#### Educational Requirements

About 70 percent of the new vacancies carried special requirements concerning education or experience.

In all, 4.3 million people were employed in June of this year, compared to 4.28 million a year ago.

Of the 112,000 openly unemployed, 8,000 were under 20 years of age, and 27,000 were between the ages of 20 and 24. About 30 percent of the unemployed have been without a job for more than 6 months.

The number employed in labor policy programs also declined in comparison both with May of this year and with June of last year.

At the end of June, 30,000 were employed in relief work. That is 15,000 fewer than last year. And 24,000 young people were working in youth law programs. The number of people attending vocational training courses for the unemployed was 21,000, or just under 4,000 fewer than in June of last year.

#### Currency Inflow Causes Explained

Stockholm DAGENS NYHETER in Swedish 12 Jul 85 p 8

[Article by Anders Nordstrom]

[Text] "The goal of halting the outflow of currency has been achieved. So there is now room for a lowering of interest rates again."

That is how Kurt Eklow, deputy governor of the Bank of Sweden, explains the bank's decision on Thursday to lower the discount rate by 1 percentage point to 10.5 percent.

### Discount and Penalty Interest Rates: 1982-1985



The discount rate and the penalty interest rate were both lowered by 1 percentage point yesterday.

Key:

1. Penalty interest rate
2. Discount rate

At the same time, the Bank of Sweden also lowered the penalty interest rate--the interest rate that banks pay to the Bank of Sweden for borrowings above a certain level--by 1 percentage point to 15 percent.

This means that the record-high Swedish interest rates resulting from the increase in the central bank's discount rate lasted only 2 months, as shown in the diagram above.

Yesterday's lowering of the interest rate may also very well be followed by further reductions. At least that is the opinion of a number of money and capital dealers contacted by DAGENS NYHETER. Many believe that a further reduction may be as large as yesterday's drop in the discount rate--that is, 1 percentage point.

One dealer told DAGENS NYHETER: "The market is very clearly prepared for further reductions in the discount rate and the penalty interest rate. The 5-year market rate is already lower than it was before the discount rate was raised in May."

This time, in contrast to what happened the last time interest rates were changed, the banks are going to let their rates decline completely in step with the drop in the discount rate.

Soren Rung of the Scandinavian Private Bank says: "We are going to lower both our deposit rates and our lending rates by 1 percentage point. It is our impression that that is what the central bank wants."

One chief reason why the Bank of Sweden raised interest rates so sharply 2 months ago was the currency outflow of just over 9.9 billion kronor that had occurred between the start of the year and the middle of May. Since then, however, currency flows have reversed themselves, and nearly 5 billion kronor have come into Sweden. The net inflow during the first 3 days of this week alone totaled 1.3 billion kronor.

Kurt Eklow, deputy governor of the Bank of Sweden, said: "The currency inflow just after the increase in rates in May was somewhat tentative. But it has picked up speed since then, and we now feel that the inflow is strong enough that we can lower the rates again."

We asked: "But doesn't the fact that the central bank is lowering the discount rate again so soon after an increase show that you misjudged the situation in May--that you went too far?"

Kurt Eklow answered: "No, I don't think so. To create the credibility we wanted, it was necessary to react sharply at the time. But it always happens, when we change the discount rate frequently, that those who disagree feel that we are moving by fits and starts, while those who approve feel that we are being flexible."

We asked: "Many observers say that a great deal of the inflow consisted of short-term borrowings abroad by firms which then converted those loans into kronor for investment in the money market. Isn't there a danger that an outflow will occur again when those loans fall due, since interest rates are being lowered?"

"Perhaps some firms will reduce their foreign borrowing now, while others won't. But even after this reduction in the interest rate, we still have very high interest rates in Sweden from the international point of view."

We asked: "The Bank of Sweden currently has an exceptionally large foreign exchange reserve. Is this because you are afraid of another currency outflow just before the election?"

He answered: "We live in an uneasy world, and the election is part of that uneasiness. And then, of course, the dollar is stirring. So we see nothing wrong with a hefty foreign exchange reserve."

"But the primary reason why the foreign exchange reserve is so large right now is that very advantageous loan opportunities appeared in the international capital market this past spring. We expect the reserves to drop again to some extent during the fall."

#### Reduce Imports

The central bank's purpose in increasing the interest rate in May was also to reduce private consumption in Sweden. Doing so would reduce imports and the deficit in Sweden's trade with the rest of the world.

Kurt Eklow says: "That objective remains. The purpose in lowering the interest rate is not to enable people to borrow more and consume more.

"But the discount rate is not an ideal way to control consumption. We have to weigh that out against the other goals of the interest rate policy. Instead, financial measures are needed to hold consumption down."

A financial squeeze can take the form of higher taxes or of lower state subsidies to individuals (child allowances, pensions, or housing allowances, for example). But the Bank of Sweden does not want to comment more specifically on which measures it would like to see adopted.

#### Cheaper Loan Rates Appear

Stockholm DAGENS NYHETER in Swedish 12 Jul 85 p 8

[Article by Robert Braunerhielm]

[Text] The interest rate on private loans may drop by more than 1 percent.

That is what DAGENS NYHETER was told by Leif Vindevag of the Scandinavian Private Bank.

He believes that the interest rate on some loans--home loans, for example--may drop by an additional half a percent.

He told DAGENS NYHETER: "This is because the central bank has lowered the penalty interest rate charged to banks by 1 percent."

The banks have a certain leeway for making loans that equals one-fourth of their capital stock. When they go over the ceiling, they must pay a penalty interest rate to the central bank. Demand for capital is very high just now, so all the banks have already exceeded their limit. But since the penalty interest rate is being lowered by 1 percent, there is room for a small additional drop in rates for special groups.

Homeowners are a likely choice, since they often have big loans and operate on small margins.

It is also homeowners with big loans who will benefit most from the lower discount rate. Many property owners have expensive third mortgages amounting to perhaps 150,000 kronor. The interest rate on those loans is affected immediately by the drop in the discount rate. A change of 1 percent means a drop of 1,500 kronor on a 150,000-krona loan. But in practice, since most people deduct the interest payment from their income tax, the lower interest rate translates into only 750 kronor "in their pockets."

Other loans besides home loans will also get cheaper, of course. But in their case, a lower interest rate is of only marginal importance. For an average credit card customer owing 4,000 kronor, the lower interest rate means that he will save 40 kronor per year. Taking the tax adjustment into account, that puts him ahead by only 20 kronor.

Fixed-term loans, such as a homeowner's loan secured by a first mortgage, will not be affected immediately by the lower interest rate. This type of loan is adjusted at specific intervals--every 5 years, for example--and only then is a higher or lower interest rate applied.

So the "losers" from the lower interest rate will be those who save money in the banks. They will receive 1 percent less in interest on their saved capital.

But the lower interest rate will presumably have no immediate effect on individual finances.

#### Inflation Slows Dramatically

Stockholm DAGENS NYHETER in Swedish 12 Jul 85 p 8

[Article by Lars-Ingmar Karlsson]

[Text] Consumer prices fell by 0.3 percent between mid-May and mid-June, according to the SCB's latest surveys.

The SPK (National Price and Cartel Office) also measured consumer price changes, but its survey covered the period from 1 to 30 June, and during that time, consumer prices did not change at all. The difference in comparison with the SCB's survey is due to the fact that the higher gasoline prices were included in the SPK's figures.

During the 6-month period from mid-December to mid-June, consumer prices rose by 3.6 percent. If last year's gasoline price war is excluded, this year's figures are the same as last year's.

A breakdown by individual groups shows that food prices rose by 5.8 percent and that housing prices were up by 6.5 percent.

#### Slight Decline

If we look only at the major groups--convenience goods, food, tobacco, health and beauty aids, and other goods sold in large grocery stores--we see that



according to the SPK's figures for June, their price level declined by 0.4 percent.

The annual rate of inflation stood at 8.2 percent in June, according to the SCB's surveys. Compared to the figures for May, that reflects a very slight decline of 0.1 percent.

The figure of 8.2 percent should be compared to Minister of Finance Feldt's hopes for a 3-percent inflation rate in 1985.

It is housing costs that weigh most heavily in the figures. They were up by 2.7 percentage points, followed by food at 1.4 percentage points and gasoline at 1.0 percentage point. Indirect taxes also caused the consumer price index to rise by 1.0 percentage point.

The SCB's consumer price index for June stands at 153.9. That is below the index for May, which stood at 154.5.

#### Above Average

If we compare Sweden's inflation rate over the past year with others, we see that Sweden is considerably above the average. The average for the OECD countries--that is, the Western industrialized countries--stood at 4.8 percent in May. Sweden's figure for that period was 8.3 percent.

Other countries above the average include Great Britain (7.0 percent) and France (6.5 percent). For the United States, the figure was 3.7 percent. The smallest increases were to be found in the FRG and the Netherlands, both with 2.5 percent.

#### Central Bank Action Viewed

Stockholm DAGENS NYHETER in Swedish 12 Jul 85 p 8

[Commentary by Jan Magnus Fahlstrom: "Lower Interest Rate Does not Silence Criticism"]

[Text] The lowering of the discount rate on Thursday did not come as a surprise. Actually, a reduction had been expected ever since the announcement of sharply increased interest rates 2 months earlier, on 13 May.

Higher interest rates were made necessary by an acute and alarming rise in the currency outflow, which was itself the result of the deteriorating balance on current account with the rest of the world due to a rise in imports.

From the standpoint of the domestic economy, the measure had obvious disadvantages. For the government, it was a political handicap 4 months before the election. Especially for that reason, it was predicted that the interest rate would drop again "before autumn" if and when the opportunity presented itself.

And that is now what has happened--if anything, somewhat earlier than expected. The opportunity was provided by the turnaround in the flow of currency. Since mid-May, the outflow has shifted to an influx that has picked up speed steadily over the past month. This, in turn, is due partly to the fact that the dollar and dollar interest rates have continued to fall.

One purpose of the increase in Swedish interest rates in May was precisely that of widening the "gap" in interest rates between Sweden and primarily the dollar market so as to increase the temptation to hold assets invested in kronor.

And the gap produced was a substantial one making Swedish market rates more than twice as high as those in the United States. During the 2 months that have passed, the gap has grown even larger as U.S. interest rates have dropped by about 1 percentage point.

What Thursday's lowering of the interest rate means, roughly, is that the central bank is withdrawing approximately half of the rate increase it decreed in May. And that, in turn, does not mean much more than that the gap in rates in relation to the United States is being put back where it was when the rate increase took effect.

The measure appears rather harmless so far. Moreover, dollar rates have been following a downward trend. Against the krona, the dollar has fallen by 12.5 percent since March and by nearly 11 percent since mid-May.

Such a trend in itself reduces the temptation to invest assets in dollars and thereby becomes self-strengthening. Without any need for the central bank to intervene, the flow of currency into Sweden strengthened the krona against the "currency basket" that indicates the krona's average value in terms of other currencies. That alone ought to have stimulated the currency inflow.

As a result, events affecting both the dollar and the krona helped to create the opportunity to lower interest rates, and that opportunity has now been taken advantage of by the Bank of Sweden.

With the possible exception of the sharp upswing that occurred just before interest rates were increased, the currency outflow through the middle of May was due essentially to a sharp increase in imports. The effect was to trim the trade balance surplus to such an extent that it was inadequate for counterbalancing the burden that interest on our foreign debt places on the current account balance, which is the balance of our total trade in goods and services with the rest of the world, including interest.

Besides stimulating the investment of assets in kronor, the higher interest rate was intended to check the increase in imports. In that respect, it has been criticized as being too blunt a weapon.

High interest rates hurt the importation not only of consumer goods but also of investment goods for industry. On the whole, they check the highly desirable increase in industrial investment and hit small and medium-sized firms especially hard. They speed up inflation, drive up the state's interest costs and, consequently, the budget deficit, and so on.

The fact that the central bank has now taken half a step backward should therefore please those who criticized the interest rate hike in May, but it probably will not silence criticism. The question of when it may be possible to take the next half step is far from being settled.

Among many other things, that will depend on how interest rates develop abroad. But as long as we have a big budget deficit and the related deficit in the balance on current account, we will probably have to live with an interest level which is high in international terms and stings here at home.

#### Paper Views Political Implications

Stockholm DAGENS NYHETER in Swedish 12 Jul 85 p 2

[Editorial: "Down by a Small Percentage Point"]

[Text] The Bank of Sweden has lowered its discount rate and its penalty interest rate by 1 percentage point. This development is partly a consequence of the fact that this spring's currency outflow has now been replaced by a definite inflow. It also represents an adjustment to match the international interest level, which has dropped over the past 2 months.

The currency flow probably did not reverse itself solely because the Bank of Sweden sharply increased interest rates in May, because even before the outflow of currency began, Swedish interest rates were a good deal higher than those denominated in dollars and Deutsche marks.

The currency outflow was probably due less to the difference in interest rates than to expectations concerning exchange profits or a new devaluation. The dollar exchange rate rose early this spring. And a 2-percent rise in the exchange rate over a 2-week period yields a higher profit than an extra 5 percent in interest over a year's time. Moreover, Swedish firms have large debts denominated in foreign currencies. The previous devaluations of the krona resulted in big losses for them. And firms that have allowed for the risk of a new devaluation have had good reason to pay off their loans as they fall due.

The dollar has declined recently. And the Bank of Sweden's sharp reaction in May may have allayed--temporarily--fears that the krona would be allowed to fall in value.

The central bank and the government have clearly stated that the state does not intend to borrow more money abroad. Instead, the firms will have to take responsibility for capital imports. So if the krona declines somewhat against the Bank of Sweden's index, the firms will lose on their foreign debts. This means that the capital balance will be sensitive to fluctuations in the value of the krona. In an interesting article in the Scandinavian Private Bank's quarterly review (No 2, 1985), economists Lars Horngren and Staffan Viotti point out that the credibility of the exchange rate policy plays a big role in capital movements. They conclude from their analysis that if the state is going to make the firms responsible for any foreign borrowing that is done, the Bank of Sweden will have to either create confidence in the stability of the

krona or keep the interest rate so high that anyone borrowing foreign currency will be fully compensated for losses due to any drop in the value of the krona.

The Bank of Sweden's second reason for maintaining a high interest rate (in comparison with the rest of the world) is the threat of a rising deficit in the balance on current account. That is unfortunate, because a current account deficit normally appears in the pattern of Sweden's business cycle immediately after that cycle peaks. The explanation is that households consume a little more and firms begin to invest. And it can be noted that consumer goods and investment goods both have a high imported content.

Those "normal" cyclical deficits are not dangerous. On the contrary, we need the rising imports. And we have a foreign exchange reserve precisely so that we can finance such deficits. Restrictive measures that quickly force imports down and restore equilibrium in the current account balance probably disrupt the economic planning of both households and businesses.

But the above reasoning applies to the normal course of the business cycle. And in Sweden, almost nothing is normal any longer. The national budget and the balance on current account both show structural deficits due to a basic disturbance of the Swedish economy's equilibrium: industry is too small and the public sector is too big. And the foreign debt is so large that it cannot bear the additional burden that a "normal" cyclical deficit will bring.

The Bank of Sweden is trying to keep imports down by means of a high interest rate. This means that bond interest rates will be higher than the yield from productive investments. The result will be to weaken the incentive and capacity for industrial investment. But the reason for the structural deficits is that the industrial sector is too small.

The high interest rate is the economic policy's "Catch 22."

As happened in the 1970 election year, the entire squeeze is being placed on the credit policy. Now as then, necessary increases in the value-added tax will not be adopted until after the election. But by then the economic situation will have reversed itself, and the restrictive measures will hit with full force during the business slump.

How many party leaders are asking in their evening prayers that they be excused from responsibility for the government next year?

11798

CSO: 3650/282

7 August 1985

ECONOMIC

SWEDEN

## SEVEN ECONOMIC FORECASTS EXPECT MUCH SLOWER ECONOMIC GROWTH

Stockholm DAGENS NYHETER in Swedish 2 Jul 85 p 9

[Article by Anders Nordstrom: "Dark Future in Seven Forecasts"]

[Text] The Swedish economy is headed toward a gloomy future. Next year growth and industrial investments will decline, and unemployment will increase. That is the forecast of the Federation of Industries in its annual business prognosis. It thereby joined a unanimous chorus of forecasters who during the spring predicted a decline in the Swedish economy.

"But the decline we predict applies to the Swedish economy. For Europe as a whole, as for Japan, we expect stronger growth," said the chief economist of the Federation of Industries, Ola Virin.

The forecaster of the Federation of Industries also believes that the speculations which have appeared in the mass media and among economists about a new Swedish devaluation have been exaggerated.

"The increase of imports which have caused the deficit in the balance of current payments and thereby the rumors of devaluation can largely be explained by the harsh winter and companies' increased imports of investment goods," said Ola Virin.

"But that does not mean that there is not cause for concern over the longer term. If wages continue to grow as fast next year as this year we can very well reach a devaluation situation at the end of 1986 or during 1987."

The estimate of the Federation of Industries that wage increases per hour for industrial workers this year will be 6.5 percent is clearly over the 5 percent framework which the government threatened and appealed to wage earners to remain within.

More than half of this wage increase, or 3.3 percent, consists of wage slides above the centrally established agreement.



If the forecast of the Federation of Industries is correct, the government's inflation target will be exceeded by an even greater margin. According to the forecast inflation this year will be 7.9 percent, and during 1986 5.5 percent.

"But our inflation prognosis for this year must be considered a minimum judgment. Among other things we have assumed that the dollar rate of exchange will fall by 20 percent by the end of 1986," said Ola Virin.

"If the dollar exchange rate does not continue to fall inflation will surely be greater than the figures which we have presented."

The strongest downturn in the forecast is in industrial investment. This year it increased by 16.5 percent, but in 1986 it will decline by fully 5 percent.

Growth of GNP, the value of the goods and services produced during the year, stops this year at a modest 1.1 percent, and in 1986 it declines further to 0.8 percent. As a result of that, unemployment will also increase from an average of 3.1 percent this year to 3.5 percent next year.

The Federation of Industry forecast is the seventh domestic forecast of this kind produced this spring. The others came from SE [Skandinaviska Enskilda] Bank, Handelsbank, PK [Postoffice and Commercial Credit] Bank, TCO [Central Organization of Salaried Employees], LO [Trade Union Confederation] and the Institute of Economic Research. Furthermore the OECD, the cooperative organization of the western industrial countries on economic questions, has evaluated the Swedish economy.

As to the basic question of growth in the GNP, all of these prognoses are in agreement--growth will decline, and it will be worse for the Swedish economy. (See the table at the end of the article.)

The worst forecast comes from SE Bank. They predict that the GNP will decline by 1 percent. The most positive is TCO, which expects a growth of a modest 1.7 percent.

It should be added that TCO's colleagues at LO, for political or electioneering reasons, completely refrained from forecasting economic developments for 1986.

Even on inflation figures the unanimity is amazing. Six of the eight forecasters believe there will be an annual average inflation rate somewhere between seven and eight percent this year. The lowest is the Institute of Economic Research with 6.3 percent, and the highest is the Federation of Industry with 7.9 percent.

For 1986 they all predict a decline in the inflation rate. The lowest is OECD with 4.5 percent, and the highest is Handelsbank with 6.5 percent.

Handelsbank is the most pessimistic, estimating a deficit of 15 billion kronor in both years. On the other hand TCO is more optimistic, and predicts a deficit of 3 billion kronor this year, which will further decline to 1 billion kronor in 1986.

The Federation of Industry also predicts an improvement in the balance of current payments in 1986 compared with 1985, primarily because of a decline in the value of the dollar which will make imports cheaper. A deficit in the balance of current payments of 10 billion kronor this year and 6.5 billion kronor next year is their prognosis.

Even when it comes to unemployment all forecasters are pessimists, although the worsening they predict is relatively small. The gloomiest here is PK Bank, which believes in 3.7 percent unemployment next year. The TCO economists are the most optimistic and predict 3.0 percent unemployment in 1986.

1985					
	(1) Inflation	(2) BNP-tillväxt	(3) Bytes-balans	(4) Industri-investeringar	(5) Arbets-löshet
SHB	7.5	2.0	-15	+20	—
SEB	7.5	0.9	-7	+15	3.0
PKbanken	7.7	1.3	-10	+15	3.3
LO	7.7	2.6	-8	+25	—
TCO	7.0	2.9	-3	+20	2.9
KI	6.3	2.4	-6.7	+25	2.9
Ind.-förbundet	7.9	1.1	-10	+16.5	3.1
OECD	6.5	2.5	-4	—	3.0
1986					
SHB	6.5	0	-15	+10	—
SEB	5.5	1.0	-8	-5	3.5
PKbanken	5.7	0.3	-12.5	+2	3.7
LO	—	—	—	—	—
TCO	5.0	1.7	-1	+10	3.0
KI	—	—	—	—	—
Ind.-förbundet	5.5	0.8	-6.5	-5	3.5
OECD	4.5	1.75	-3.2	—	3.0

Key: (1) Inflation (4) Industrial investment  
 (2) GNP growth (5) Unemployment  
 (3) Balance of current payments

Caption: All the figures represent percent changes in relation to the previous year, except for the balance of current payments which is in billions of kronor.

9287

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ECONOMIC

SWEDEN

# INDUSTRY INCREASING INVESTMENTS BY TWENTY PERCENT IN 1985

Stockholm DAGENS NYHETER in Swedish 2 Jul 85 p 9

[Text] Industrial investments will increase faster this year than last. According to a survey by the Central Statistical Bureau 1985 will be the best year for investments since 1975.

Last year industry increased its investments by 17 percent in volume to 23.8 billion kronor. That is 0.7 billion kronor more than was previously reported, according to the Central Statistical Bureau [SCB].

The largest increase took place in construction investment, which grew by 43 percent compared with 1983.

## Against the Current

In all comparisons, however, one should remember that 1983 the lowest year for investment volume in 20 years.

The total investments increased by over 20 percent within the textile industry, the timber industry, the iron and steel industry and most of the branches of the manufacturing industry.

Only the chemical industry went against the current, and had a negative development in investment in 1984 after being the only industry to have a strong investment increase in 1983.

This year, according to the survey, industry will invest 30.7 billion kronor. That is an upward revision of investment plans compared with the survey in February.

Almost all branches expect increased investments this year compared with last. Among others, the pulp and paper industry, the pottery and stoneware industry, the iron and steel industry, machinery industry, electrical industry and instrument industry all report plans for at least 20 percent increases in investments this year.

## Survey

Against the background of the responses to the survey SCB estimates an increase in investment volume this year of 20 percent compared with last year.

For 1986, however, the firms estimate reducing investments to 24.9 billion kronor in current prices.

Experience indicates that the figures for the coming year will be on the low side, but still it appears that investment volume will decline in 1986 compared with this year.

9287

CSO: 3650/276

ECONOMIC

SWEDEN

BRIEFS

STOCK EXCHANGE PROFITS DOWN--The semiannual report of the stock market is sad. So far this year stock prices have fallen an average of 4 percent. Even worse, OTC paper has gone down by 7 percent. Most people who bought stock this year have therefore done poorly. The stock value, meaning the value of all the shares on the market, has declined by fully 8 billion kronor during the first 6 months of this year. That corresponds to roughly 1,000 kronor per citizen. The market was at its high point in February of last year. Since then it has declined by over 25 percent, and the stock value by about 60 billion kronor. Few observers expect that stock prices will turn upward before the election. The high interest level has made other investments more profitable than stocks, for example purchase of government obligations or ordinary bank savings. [Text] [Stockholm DAGENS NYHETER in Swedish 2 Jul 85 p 9] 9287

CSO: 3650/276



ENERGY

PORTUGAL

AGREEMENT SIGNED FOR OFFSHORE OIL EXPLORATION

Lisbon DIARIO DE NOTICIAS in Portuguese 27 Jun 85 p 28

[Text] The Portuguese Government signed a contract yesterday with a consortium of five foreign companies, granting the right to oil exploration off the Portuguese coast at the bay of Viana do Castelo.

In the agreement, which involves an investment of about 900,000 contos, the concessionaries are the firms Salen, Salenia, Neste, Largas and Pecten (the last is a subsidiary of the North American company Snell and is acting as the operator for the group).

Undersea exploration in the bay of Viana do Castelo is granted for a 3-year period, renewable for the same period and, at most, three times.

The contract signed yesterday was authorized by the Council of Ministers on 28 May and was published in the official journal last week. It enlarges the scope of an agreement signed previously between the Portuguese Government and a group of concessionaries comprising Salen, Salenia and Neste, providing for oil prospecting in relatively shallow waters in the bay of Viana do Castelo, in zones 1, 2 and 3, designated, respectively, as "Barracuda," "Cavala" and Chaputa.

The new agreement, signed yesterday by Rocha Cabra, secretary of state for energy, representing the Portuguese Government, and by representatives of the five companies, includes a deep "offshore" zone, designated "Lula."

In this way, prospecting in the shallow zones near the coast was granted to the first three companies named, and the other two concessionaries, Pecten and Largas, will explore in waters up to 3,000 meters deep.

In all, the area of exploration granted by the two contracts covers about 3,700 square kilometers of Portuguese waters.

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ENERGY

SWEDEN

#### ENERGY CONSUMPTION CONTINUING TO DECLINE

Stockholm NY TEKNIK in Swedish 21 Mar 85 pp 16-17

[Article by Anders Wallerius: "ENERGY-SWEDEN: Five Years After the Vote on Nuclear Energy"]

[Text] The referendum on nuclear energy was held on 23 March 1980.

During the 5 years that have passed, Sweden's energy situation has changed radically:

Nuclear power has been developed according to plan. There is less dependency on oil. Domestic energy has increased more than the nuclear power. The country's energy consumption has also decreased greatly, almost equal to all of nuclear power.

These are the first articles in a series of articles on ENERGY SWEDEN Five Years After the Referendum.

The Harrisburg nuclear accident in the United States occurred in 1979. That forced the Social Democrats, the Liberal Party and the Conservative Party to approve the national referendum on nuclear power which the Left Party Communists, the Center Party and the People's Campaign had been demanding for a long time. Three alternatives were formed. All three alternatives appeared on the ballot. The figures indicate the voting results on 23 March 1980.

Option 1 received 18.9 percent, option 2 received 39.1 percent and option 3 received 38.7 percent.

#### Consumption Decreases

Sweden's energy needs have decreased by one-tenth.

One-third of the oil consumption decrease has been due to conservation and other forms of energy. The nuclear power production has more than doubled. There are the three greatest changes in ENERGY-SWEDEN Five Years After the National Referendum on Nuclear Power.

The projections and calculations that were made in 1979 formed the basis for the debate and the campaign before the national referendum in March 1980.

Then energy consumption was the second highest in Sweden's history (we used slightly more energy in 1976).

The oil only represented 70 percent of the energy imports, and only 6 of the 12 planned nuclear units were in operation.

Projections were also made at that time about continued increased energy consumption.

Five years later, 1984, the oil share has dropped to less than 50 percent and there are 10 nuclear reactors in operation.

At the same time, energy consumption has decreased by slightly more than one-tenth, from 469 TWh (terawatt hours) to 413 TWh. It is energy conservation within the housing sector that is responsible for the greatest savings: better insulated houses, more energy efficient appliances, among other things, have saved 30 TWh.

The industry has reduced its energy consumption by 17 TWh through more efficient processes and heating systems and by converting to less energy-demanding products.

In addition, overseas shipping has decreased by 4 TWh. During these 5 years, the losses involved in converting and transferring the energy has decreased by 6 TWh.

On the other hand, transportation energy consumption within the country has increased by 1 TWh.

In other words, Sweden has saved itself the use of 56 TWh of energy. (Taking into consideration that the year 1984 was warmer than 1979, the savings "only" amounts to approximately 45 TWh). But the /oil reduction/ [in italics] is twice as great, 115 TWh. Beside the savings of the 56 TWh there are also other forms of energy that have replaced the oil.

The nuclear power production has increased by 26 TWh and is the largest individual oil substitute, i.e. next after savings.

The domestic fuels, primarily peat and wood, have increased by 11 TWh.

The hydroelectric power and coal have increased by 6 and 7 TWh respectively, while waste heat, heat pumps and back pressure power have increased by 9 TWh.

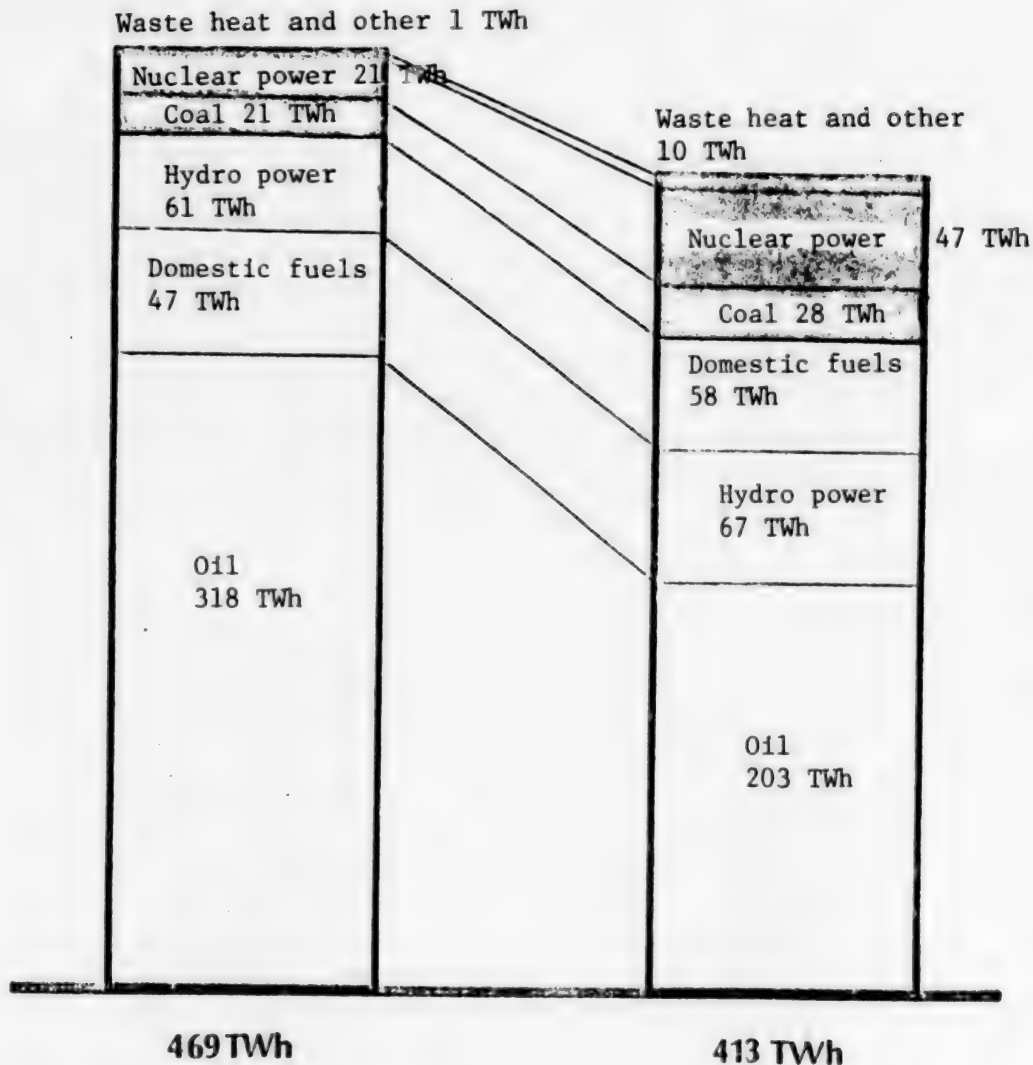
Altogether, the domestic fuel, hydroelectric power, coal and waste heat, etc., have replaced 33 TWh of oil, or more than the nuclear power.

But in 1985, the two last nuclear power reactors will enter the network and generate 10-12 TWh per year, which in theory, at any rate, can replace the same amount of oil.

1979

ENERGY SUPPLY

1984



In 1984, the country consumed about 56 TWh less than 1979 which is a decrease of approximately 10 percent. The consumption of oil has decreased while the consumption of other forms of energy has increased.

## The North Sea Superceded the Middle East

The oil imports have decreased by half.

The dependency on the Middle East is eliminated.

Almost the total oil import now consists of crude oil.

The oil bill has dropped 10 billion in fixed money value.

Sweden's oil dependency has undergone these dramatic changes since 1979.

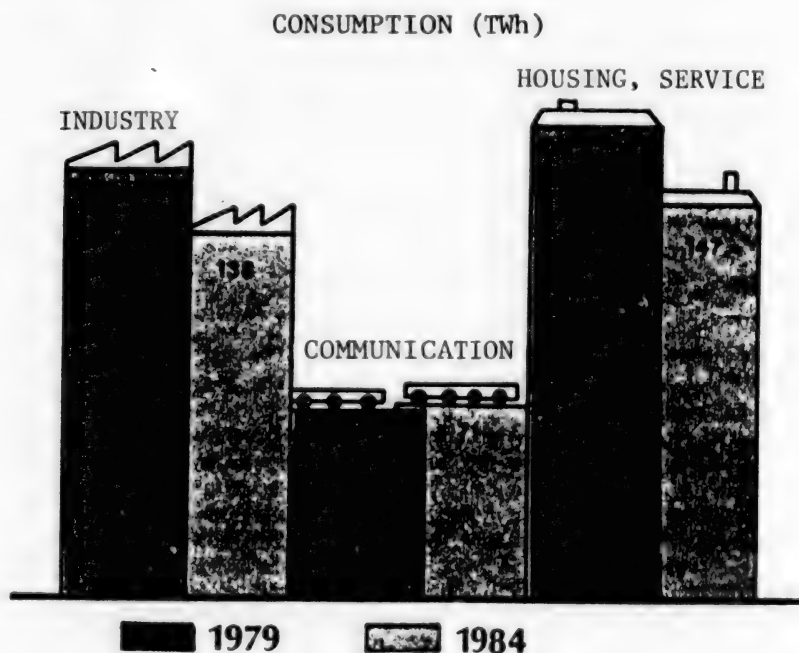
Sweden's oil import has been cut in half during the last 5 years: from 29 million tons in 1979 to 15 million tons in 1984, according to preliminary figures.

But that does not mean that the oil bill has been reduced correspondingly (see article above). Neither does it mean that the consumption of oil has been cut in half.

A large quantity of oil has instead been taken from the reserve of the Armed Forces and from the stockpiles of the oil companies and the consumers.

Approximately 3.5 million tons of oil have been removed from the stockpiles in recent years. That corresponds to approximately 40 TWh.

But the great reduction in oil imports is based on decreased energy consumption in general (corresponding to approximately 5 million tons of oil) and transition over to other forms of energy (corresponding to approximately 5.5 million tons of oil).



The greatest energy savings were within the housing sector. If it is taken into consideration that the year 1979 was unusually cold, the difference will be less.



## The North Sea Dominates

In 1979, Sweden imported almost half of its crude oil from the countries in the Middle East. Today, imports from these countries have almost totally ceased.

Instead, the North Sea oil dominates our imports. In 1984, all 81 percent of the crude oil came from there. The rest came from the Soviet Union, Venezuela and countries in Africa.

As the oil imports were decreased by half the Middle East almost disappeared as oil supplier, at the same time the amount of imported oil products was also reduced (see the diagram below): Venezuela 5.6 percent, the USSR 6.6 percent, Africa 5.3 percent and the North Sea 81 percent.

The reason that the oil importers abandoned the Middle East is not that the deliveries from there were considered unreliable due to the unrest in the area; in any case, not according to Stig Lundberg of the Swedish Petroleum Institute, the branch organization for the oil industry:

"The North Sea oil is better as it has lower sulphur content. It is also possible to avoid long, costly transportation and it suffices to use lighter and cheaper tankers for shipping.

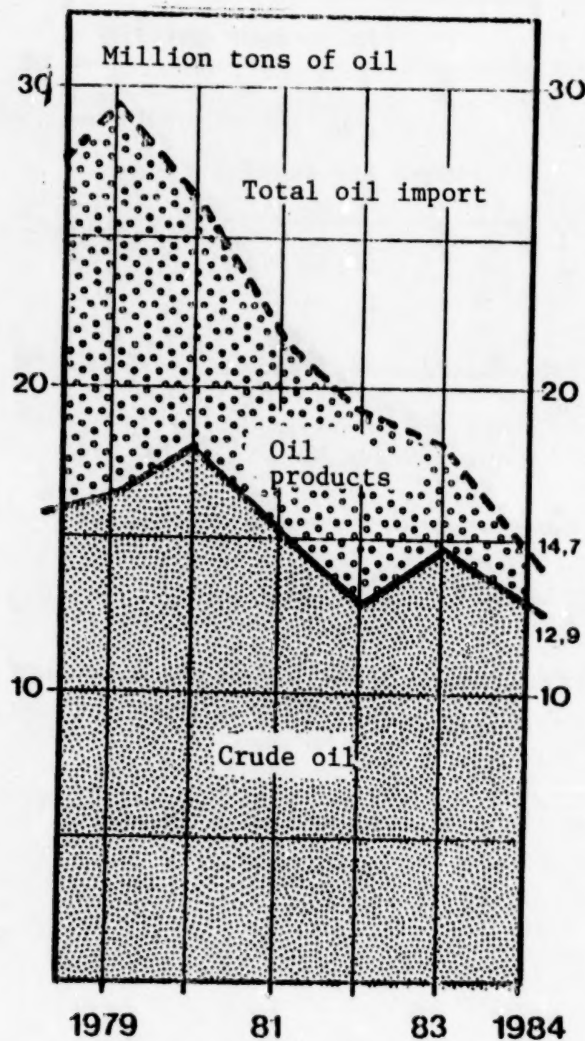
"Moreover, various Swedish oil companies are partners in the North Sea oil."

## Mostly Crude Oil

Another change is that in 1979, almost half of the oil imports consisted of oil products that were brought from foreign refineries.

In 1984, the oil products only constituted 12 percent: the remainder of the imports were crude oil. That means, broadly speaking, that Sweden has become self-supporting with regard to refined oil, i.e. fuel oil, gasoline and so forth.

The explanation for this is that the consumption of fuel oil has now decreased so much that Swedish refinery capacity, broadly speaking, meets the need.



#### Reduced Oil Bill

The oil bill was 10 billion kronor lower in 1984 than in 1979. That is the economic result of the oil import being cut in half, double exchange rate of the dollar, devaluation, inflation and increased export of oil products.

The second oil crisis occurred in 1979. The price of oil doubled during the year. The Swedish oil bill rose from 12.9 billion kronor in 1978 to 22.5 billion kronor in 1979.

Five years later, the oil bill is at 26.3 billion kronor, although the oil imports have been cut in half.

If the inflation is not included in the calculations, the oil bill was in fact 10 billion kronor less in 1984 than in 1979. This is a reduction of 27 percent.

The fact that the oil bill has not been cut in half like the oil import is because all oil is paid in dollars on the international market. In addition, the exchange rate of the dollar has risen from 4.30 in 1979 to 8.85 in December 1984 (the 16-percent devaluation of the krona in 1982 corresponds to 1 krona of the exchange rate price increase).

At a fixed currency value (with the inflation eliminated), the price of oil in Swedish kronor has increased by approximately 135 percent from the beginning of 1979 until the end of 1984.

On the other hand, the price of the dollar (at a fixed currency value) is now almost at the same level as it was before the skyrocketing increase of oil prices in 1979; one barrel of North Sea oil now costs approximately 27 dollars.

It is in fact primarily the upward trend of the exchange rate of the dollar that has caused the oil bill not to decrease as much as the oil imports. On the other hand, the exchange rate of the dollar has caused the increased export of oil products from Swedish refineries to have increased much more in value than in volume.

9583

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ENVIRONMENTAL QUALITY

NORWAY

WORK ON PREPARING ENVIRONMENTAL AGREEMENT WITH USSR UNDERWAY

Oslo AFTENPOSTEN in Norwegian 3 Jul 85 p 48

[Article by Per Jarl Elle: "Draft Being Prepared: Soviet-Norwegian Environmental Protection Agreement In 1986"]

[Text] Norwegian authorities are now working on a draft of an environmental protection agreement between Norway and the Soviet Union. The agreement will specifically cover the border regions between the two countries. Particular emphasis will be placed on long-distance transport of air polluting substances. Work on the Norwegian version will be completed towards the end of the month of August. It is hoped the agreement can be signed during the first half of 1986.

The environmental protection agreement between Norway and the Soviet Union is based on ongoing collaborative research on long-distance transport of air pollution. This work is partly a result of the EMEP [European Meeting on Environmental Pollution] program for the measurement of international air pollution and partly a result of the United Nations convention against air pollution across national boundaries. This convention was adopted in March 1983, and the finance protocol will be presented next week in Helsinki.

Both Norway and the Soviet Union have signed the convention and now have cooperation on long-distance transport of air pollution in the north. For several years, in the interior parts of East Finnmark, larger concentrations of sulfur-bearing substances have been detected, presumably originating from Soviet factories. The problem is also known on the Soviet side, and forms a basis for the environmental protection agreement between the two countries. Chairman of the Soviet National Committee on Nature and Environmental Protection Valentin Sokolovski is overseeing work on the Soviet part of the agreement. Norwegian work is being led by Environment Minister Rakel Surlien in coordination with the Foreign Ministry.

Acting Foreign Ministry press spokesman Jorn-Willy Bronebakk says that the new agreement will apply initially only to air pollution, but that the agreement can also apply to other environmental issues along our common northern border.

"Work on the agreement will continue throughout the fall, with an anticipated signing in the course of 1986," Bronebakk told AFTENPOSTEN.

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**DATE FILMED**

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